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# **JPRS Report**

## **East Europe**

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# East Europe

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**Van den Broek on Yugoslavia, Intervention**

92BA1297A Ljubljana DELO in Slovene 3 Aug 92 p 4

[Article by Sasa Vidmajer, including interview with Dutch Foreign Minister Hans van den Broek; place and date of interview not given: "We Should Not Be Afraid of Military Intervention"]

[Text] *Military intervention would certainly complicate things even more, but it would not be good to hesitate if it remains the only way out, the Dutch foreign minister thinks.*

Dutch Foreign Minister Hans van den Broek is undoubtedly one of the most active European politicians with respect to involvement in settling the crisis on the territory of the former Yugoslavia. He began to encounter it as president of the EC, and as a member of the "troika," he is present at all the essential negotiations. He has always been highly respected in Slovenia (also because of his obvious goodwill, despite his characteristic European restraint, and his pragmatism), and despised in Serbia as a politician from a "little" country who is dealing with a "big" one. During his visit to Slovenia this time, his first visit after independence, he spoke in an interview for DELO about his views of the Yugoslav crisis, the present and past ones, the possibilities for military intervention, and experiences with Yugoslav politicians....

[Vidmajer] How much has your view of the Yugoslav crisis changed from last year to this year?

[Van den Broek] Things are developing favorably for Slovenia, and the talks that we had approximately a year ago yielded positive results in the end: Slovenia is independent, and it has a government that is obviously firmly resolved to carry out social and economic reforms of the state. On the basis of what I learned from my interlocutors on this occasion, I have good impressions, although several matters, of course, still remain unresolved.

As far as the broader events of the Yugoslav crisis are concerned, things are extremely complicated. The efforts by the EC, the CSCE, and the UN are well known. All of them together have come to a very clear conclusion; specifically, that it is necessary to continue pressure against the Serbian leadership and show them clearly that their policy of so-called ethnic cleansing is completely unacceptable. That is also why we in the EC are still trying to create pressure against Serbia.

[Vidmajer] Could you have imagined that Yugoslavia could become such a slaughterhouse?

[Van den Broek] Of course, we were already extremely concerned at that time. That concern was sometimes understood in Slovenia as a sort of opposition or lack of goodwill toward the idea of its independence and recognition of its legitimate aspirations for independence. It was nothing of the sort; instead, we only wanted to make use of every possibility to see whether it would be

possible for the collapse of Yugoslavia and the independence of the individual republics to occur through political consensus. By the end of last year we reached the determination that one of the sides, namely Serbia, was blocking this, and that we could no longer delay recognizing Slovenia.

[Vidmajer] Don't you think that the world was already taking steps too slowly last year, that Europe's approach was wrong, and that even then more could have been done to settle the crisis?

[Van den Broek] When a person looks back, it is always possible to say that certain things could have been done differently. Perhaps we were still too convinced that the division and collapse of Yugoslavia could be achieved by political agreement. Now, however, it has turned out completely differently, that it is impossible to achieve such an agreement without further measures and an even greater isolation of Belgrade.

[Vidmajer] How have you gotten along with your colleagues in the "troika," for instance the self-confident Gianni de Michelis?

[Van den Broek] Very well. Did you expect any other answer?

[Vidmajer] How have you perceived your Yugoslav interlocutors, and when did you come to realize that no one would keep promises and that they were all violating the agreements that had been signed?

[Van den Broek] As a politician and a diplomat who is trying to establish peace, legal order, and stability, I try to utilize political and diplomatic means to the end. It is only when all of this fails that it is time for economic measures. If not even these help, the situation becomes extremely complicated, as it is now, when even humanitarian assistance cannot be delivered without risk to those who are doing it. We will therefore continue measures to carry out the Security Council resolutions and also to extend the mandate of the world organization's peacekeeping forces, in order to ensure the fulfillment of humanitarian operations.

[Vidmajer] Do you personally think that the war in Bosnia-Hercegovina can be settled without military intervention?

[Van den Broek] We would all like that very much, but I personally think that the most important thing now is to take care of the unobstructed progress of humanitarian assistance operations, which are currently being seriously hindered; this already requires more military protection, and it is necessary to appeal to the Security Council for it. It is not possible to predict now whether an even greater concentration of forces and military intervention will be necessary. It would undoubtedly complicate the situation even more, although we should not be afraid of it if it is the only way out. The UN Security Council has the responsibility for this, and it is in its jurisdiction to adopt the appropriate resolutions.

[Vidmajer] How familiar with Yugoslavia were you before you even started to deal with its crisis?

[Van den Broek] I came to know it from a completely different perspective, since I spent a very pleasant vacation on the Adriatic coast in 1956. My next encounter, of course, was the kind that could not delight anyone. It is not so much a matter of personal perception as it is of great concern for the people of this country, which I share with so many world politicians because of their sufferings, since they are completely innocent and without any responsibility whatsoever for what they are enduring as the victims of irresponsible politicians.

**BSP Official on Meetings in Albania, Macedonia**  
**92BA1214A Sofia DUMA in Bulgarian 2 Jul 92 p 7**

[Interview with Georgi Purvanov, member of the Higher Council Executive Bureau of the Bulgarian Socialist Party, by Mila Manova; place and date not given: "The Area of Contacts With Balkan Left-Wing Forces Is Broadening"]

[Text] [Manova] The first congress of the Albanian Socialist Party [PS] was held in Tirana on 20 and 21 June 1992. You were our representative to it. Are contacts between the two parties considered part of the overall line of pursuit by the BSP [Bulgarian Socialist Party] on the international level?

[Purvanov] Some people look skeptically at this type of contact. However, once the BSP has formulated a clear and well-substantiated concept of international activities, its Balkan policies will be one of its main emphases. A common history is not the only element that brings us closer to each other. We have many similar features in our socioeconomic situations, cultural processes, and the political development of the nations in this part of the peninsula that require the enhancement of reciprocal relations.

Albania's totalitarian legacy is a difficult one. Hundreds and thousands of open bunkers throughout its territory remind us of the past. "This is our Wall of China," one of our interlocutors aptly remarked. Production has declined to a critical level, and the country is relying essentially on foreign aid. However, the Albanians look at the future with moderate optimism. The destructive processes are coming to an end, and the past has already been overcome. Compared to Bulgaria, the political situation is calmer, and the wall separating the basic political forces is much lower. The Albanian Socialists gained 20 deputies in the parliamentary elections. They are the second largest group in parliament, but their influence in the country is significantly greater.

Party president Fatos Nano delivered a strong analytical political report. Particularly persistent was the concept of the party's support for the idea of democratic socialism. The European orientation of the Albanian PS

was greatly emphasized. The role of Italy and the Italian Socialist Party was singled out among the foreign political priorities.

The party's leading team is of great interest. This is a strong group of technocrats, with friendly relations and long years of professional cooperation developed among them.

Obviously, the Albanian Socialists are careful in choosing their international partners. The congress was greeted by some of the most prestigious socialist and social democratic parties in Europe and elsewhere. A group of foreign delegations attending the congress was well represented: the Italian Socialist Party, PASOK [Panhellenic Socialist Movement], and the Hungarian Socialist Party. Judging by their official statements and our discussions, my impression was that we were not isolated. On the contrary, the idea of the need for joint actions in support of some of the East European left-wing parties—the BSP, in particular—was mentioned quite often. The idea of our membership in the Socialist International was discussed in a positive spirit, although no firm commitments were made.

[Manova] Did you have interesting meetings in the Republic of Macedonia? What is typical of its left wing today?

[Purvanov] The meetings with representatives of the Macedonian left were aimed at reciprocal acquaintance, an exchange of information on the state of the parties, and the development of political life in both countries.

Our interlocutors rated highly the support given by Bulgarian political factors in the establishment of Macedonian statehood. However, they emphasized (on this point we were unanimous) that specific practical actions must now be taken.

The leaders of the political parties in the Republic of Macedonia are approaching any possibility of political contacts with political parties in Bulgaria with a great deal of caution and reserve.

I would not like to analyze the question of who is to be blamed for this, whether the state leadership before November 1989 or the new Bulgarian Government. The suspicion, however, is a fact, and it must be surmounted through slow, painstaking, and attentive efforts. Those who try to accelerate the processes of interaction with Macedonian political factors are making a mistake. Noisy and effective demonstrations, followed by lengthy periods of inaction, remind us of the policy of ancient times, the reaction to which is skepticism and mistrust. We must truly abandon paternalism and realize that Skopje is an equal partner, whose significance in the Balkans at large will increase.

Some sensitive problems related to the ethnic question were not avoided in the course of the discussions.

Many in the Republic of Macedonia stubbornly and intransigently continue to claim that there is a Macedonian ethnic minority in the Pirin area and insist that Bulgaria officially recognize its rights. After an open exchange of thoughts, in the course of which scientific and political arguments were interwoven, the two sides retained their essential starting views. Unquestionably, however, this area offers a very broad field of work for bilateral expert groups and scientific forums.

The view was unanimously expressed that, in the complex ethnopolitical situation in the Balkans and, specifically, in the Republic of Macedonia and in Bulgaria, the question of the nature and self-awareness of the population on both sides of our Western border is not fundamental. Much more pressing issues are raised with the development of Muslim religious and ethnic communities and the activities of their political representatives.

Despite the prevalence of moderate nationalism, illusions concerning Yugoslav aspects have not been entirely eliminated in Skopje. There is an equivocal attitude toward Serbian policy. The newspapers POLITIKA and BORBA and numerous Serbian periodicals flood the newsstands in the larger Macedonian cities. Tito's portrait watches us sternly from the walls of many social and governmental institutions.

Naturally, these facts may be ascribed to a relative conservatism that leaves an impression against the background of tempestuous (and frequently indiscriminate) changes in our country. In the Republic of Macedonia, the people are in no hurry to get rid of their recent past. More changes have been made in the names of settlements; monuments that remind one of the antifascist struggle remain untouched, and some of them are decorated with fresh flowers.

The easiest area for a common language was on problems of economic cooperation. There is a mutual desire for strengthening contacts in the areas of culture and science. In this respect, some mechanism and even specific ideas were discussed.

#### Domokos on UDMR-Democratic Convention Ties

92P20378A Bucharest DREPTATEA in Romanian  
24 Jul 92 pp 1-2

[Interview with Geza Domokos, chairman of the Democratic Association of Hungarians in Romania, by Iulian Comanescu; place and date not given: "Naturally, We Will Add Our Percentages to Those of the Convention"]

[Text] [Comanescu] Mr. Chairman, at last Thursday's press conference you mentioned Emil Constantinescu. It appeared that you do not have any reservations about the candidate of the Democratic Convention [CDR]. Let us take up the matter where you left it: how do you regard collaboration with the CDR, in general, in the present situation?

[Domokos] There has been a lot of speculation on this issue: speculation that the Democratic Association of Hungarians in Romania [UDMR] would like to leave the CDR and that the CDR would like to end this marriage—all unfounded. I believe that the people who are making these speculations do not understand why we are in the CDR: We want to be allied with those who want profound and true change in Romania. We are not satisfied with the current state of affairs; we are worried about the preservation of the old ways of thinking and of the old structures, and, for the most part, of the old people. People who are not capable, even if they would sometimes like to be, of jumping over their shadows and breaking with the past.

Secondly, we believe that our specific problems, for example, the amending of the Constitution, in a future Parliament, in regard to the issue of the minorities and of specific laws, could be resolved in cooperation with the parties in the CDR. Only in this way will we be able to keep our identity without obstacles, to live in peace, and to see Romania as a homeland, not merely as a country.

I believe that the parties in the CDR are convinced that the UDMR is a legitimate representative of the interests of Hungarians in Romania, showing restraint and reason. They are convinced that the UDMR has something to say on the important, general issues affecting the country. I am convinced that these parties consider our presence in the CDR necessary. The alliance demonstrates to the whole world that Romania is not a nationalistic, ungovernable country, as one might conclude from the presence, clamor, threats, and, in general, the outlook of nationalistic extremism.

Therefore, we are in the CDR. The fact that we will have separate ballots in the general elections in September, as well as our own insignia, does not change anything essentially. We have signed the CDR's protocol and have participated in drafting its program; ultimately, our percentages will be added to those of the CDR. The current situation is solely a result of the election law, which is what you know it is. Of course, our members of parliament will view their colleagues in the CDR as natural allies, which are traditional—in light of what happened in the last legislature.

[Comanescu] The UDMR has been successful in remaining an association that groups together very different trends and currents. However, at last Thursday's press conference you referred to the future congress in a sentence that sounded a bit alarming: Let us see what we can do to preserve the association. Do you think that there might be some surprises at the fall congress?

[Domokos] Beginning with the first congress, which took place at the end of April 1990 in Oradea, it has been evident that the association is a convention, an antenna of a number of political, cultural, professional and other types of organizations. There are liberal and nationalistic-Christian orientations and, recently, a social-democratic trend. Under such conditions, it is not easy

to preserve unity, due to the great diversity of the components; also, for the management organs, it is a complex task to have the required credibility and the necessary authority. However, the effort has succeeded, but not without difficulty. The third congress, which will probably take place at the end of October, will bring new explanations and will seek new structures for operation and for management. It has been written many times that the preservation of the Association is a miracle when all parties are coming apart or splitting, in one form or another. I believe that the forthcoming congress will find a way to maintain the unity of the association.

Our unity is important not only for Hungarians in Romania but also for the entire society. We hope that, at the present time, the UDMR represents an organization with clear positions, a serious negotiating partner, a forum that represents the Hungarian minority as a whole. In the region in which we live, in contrast to Western Europe, interethnic relations have become a dominant policy factor. A predictable, rational discussion partner is absolutely necessary.

[Comanescu] The situation in Romania is a specific, exemplifying situation in regard to the national minorities. From the experience of past years and from the revolution, it can be noted that the absence of some unanimously accepted norms of international law can give rise to interminable controversies and to the sharpening of interethnic problems. With the experience of the past two and one-half years, the UDMR would be able to contribute to the formulation of such norms. Has any work been done or is any work being done in this area in the Association?

[Domokos] Recently, everybody has realized that the issue of national minorities and of ethnic groups in Europe must be reexamined. Of course, we will be able to use the experience that we have amassed. But, in order to propose a solution on the international level, a solution must already be found on the national level. But this has not happened because of the current governing officials. We will not mention the rejection of real, effective dialogue and other arguments in support of the assertion on the stupidity of the government. An international standard is a goal for the future legislature, by which time I hope that things will be settled in the country, at least.

We initiated roundtable discussions, last year, on the issue of the minorities, to which we invited all political groups, the government, religious sects, and civil organizations. Only Mr. Coposu sent us his acceptance on behalf of the National Peasant Christian Democratic Party. The most categorical refusal we received was from the National Salvation Front.

[Comanescu] The top news of the day, so to speak, is that the king gave a negative response to the request of the National Liberal Party [PNL] that he run for president. The communique of the CDR, which you undoubtedly supported, was one of the first reactions. However, we would like more details.

[Domokos] The decision of the PNL can be analyzed from a number of points of view. First of all, I do not believe that Radu Campeanu and his colleagues seriously thought that King Michael I would accept the nomination. No one could believe that a man who is thought to be—and is—the continuer of a historical tradition and of an institution could abruptly become a negation of this status by accepting a nomination for the presidency. In the second place, acceptance would mean to evade the possibility that the Romanian people, sooner or later, might take a stand on the country's form of government. A decision by the king to run would close the file on the monarchy.

Therefore, it was not a good move, neither as a political judgement nor as a tactic. If the aim was to expose the PNL and its leader, then the move was successful, judging by the repercussions and the disputes that followed the PNL proposal. However, I believe that this sensation is circumstantial and will not have any ultimate result for this party. The move is the work of a politician, a Balkan one.

[Comanescu] After these rumors, something more serious took place: the replacement of the Hungarian prefects in Covasna and Harghita with Romanians. What significance do you see in this replacement?

[Domokos] I do not know the reasons for it. The former prefects are high-quality intellectuals. They cannot be blamed for anything. They were competent administrators; they did not commit any kind of fraud nor were they guilty of any administrative or moral transgressions. In the area of interethnic relations, recently there have been no significant tensions or negative occurrences. I am thinking about the two prefects who should feel insulted because, since there was no justification for their dismissal, or I do not know how it could be justified by the executive tribunal. The reaction that this decision will arouse in the ranks of the Hungarian population in the counties—which is in the overwhelming majority, as we know—will be completely negative. In brief, the whole story has the clear appearance of a provocation. I can only regret the fact that the government—Prime Minister Stolojan, personally—was involved, despite the explanations and justifications, in this affair, which, both in the eyes of democratic public opinion in the country and abroad, is reminiscent of the adventures of the already notorious mayor of Cluj, Gheorghe Funar.

**Change in Czech Political Strategy Viewed**  
*92CH0812C Bratislava NARODNA OBRODA in Slovak*  
*17 Jul 92 p 3*

[Article by Julius Gembicky: "Either-Or, but Without 'Soaking'"]

[Text] The right-wing strategy of the Czech bloc parties for the legal composition of the state was outlined during the discussions of the former representation of the CNR [Czech National Council] and the SNR [Slovak National Council], mainly thanks to Jan Kalvoda (ODA [Civic Democratic Alliance]). Outwardly, however, perhaps the most attractive offer of a state legal composition for the Czech voter, a functional federation, was put in the election program of the ODS [Civic Democratic Party]. They thus limited the room for discussions with the anticipated victors of the Slovak elections to such technical matters as trimming the federal cabinet. There was still room for compromise in possible agreements on further redistribution of authority, at most on parity in federal cabinet seats, and that was it. This was the "either" alternative.

The "or" alternative was the willingness to recognize the Slovak demands for emancipation by the Czechs from the most unexpected position: As two independent state entities with international legal identities, even though until that point it had rigorously rejected this solution. All at once even Federal Prime Minister Jan Strasky publicly called for the Czech politicians to reinforce the Slovaks' efforts in obtaining independence. Why was there such a sharp reversal in the orientation on the state legal composition of decisive Czech political forces after the election?

The political leaders of the dominant movement in Slovakia probably did not precisely analyze the nature of the Czech right-wing parties' strict delimitation of the concept of the state legal composition, and they underestimated it. It would have been good if they had realized that in both cases it was much more advantageous for the Czechs—both in the case of agreeing with a functional federation and, this is what is a paradox, in the case of both republics being made independent—with the prerequisite that it take place as rapidly as possible and that we carry the Czech Republic with us to a more advantageous position for the succession in the international societies.

A more careful analysis of the Klaus-ODS's concept of a state legal composition would clearly show that it was not deliberately motivated against Slovak emancipation, but instead rationally. The opportunity of taking a more advantageous position of not retreating in the platform during the rehearsals for the state legal composition deliberately took away any room for maneuvering toward any other alternatives between these extreme possibilities for the state legal composition, particularly when the HZDS [Movement for a Democratic Slovakia] included them in its program, that is, the possibility of discussing an acceptable form of a loose federation, a

confederation, a union of states, or a union. And so the final result was that both partners could agree only on the concept of state legal steps leading as rapidly as possible to a separation.

Today approval of a declaration of sovereignty is expected in the SNR. This unilateral act, which was the occasion for nationwide celebrations in other states that were put together until recently, is causing an embarrassed reaction in our community, primarily because of the asymmetry of the state legal steps. Because the CNR is not reacting to this unilateral act by likewise declaring Czech sovereignty, from this, many people derive fears that this will be a sufficiently clear signal abroad as to who started the process of the legal breakup of the state and, thus, who will be able to put forth claims for the advantages of earlier inclusion into the European integration processes. It is possible that it will be clear to all the people because, for many citizens of Slovakia, the process of their own emancipation clashed with the idea of gaining equality in a joint state or union.

In that context, as a counterbalance to Czech attempts to inherit as through a will, it is obviously necessary to also judge the degree of credibility and importance of an apparently secret message that the former leadership of the Czech Government is supposed to have discussed. Likewise also with the speculative signal of a willingness on the part of the Czechs to discuss a federal composition of the joint state with the Slovaks, besides the possibilities of "either-or." There are signs, unfortunately, not only of the start of confrontational communications of the separating coalition partners, but also of an unsavory tug of war over the inheritance of the joint state.

The suds from washing out this dirty linen will be exceptionally dirty. And it obviously will not take place without some "soaking."

**Federation Breakup Viewed as Inevitable**  
*92CH0748A Prague CESKY DENIK in Czech*  
*27 Jun 92 p 3*

[Commentary by Petr Pavlovsky: "Uncle Liberator"]

[Text] This is about how Vladimir Meciar obviously wants to be recorded in the history of the Slovak nation. Liberator in the sense of the head of the second independent state in Slovak history, even though I have no intention of anticipating the results of the first presidential elections which will be held after the establishment of a sovereign Slovak state. I am not surprised that J. Carnogursky, in regarding the current situation speaks of "laughter through tears"; his vision will be realized without him, but it will have a far smaller chance of success than not only an independent, but also a prospering state would have.

On the Czech side today, a mood of resignation predominates or even a longing for acceleration, "so that we could put it behind us as soon as possible." For us,

Slovakia has become an aching tooth, the treatment of which (which is sometimes even quite painful) has already cost us a lot, but, in the final analysis, whether we like it or not, we had to understand that it had to come out. But let us not lie to ourselves by claiming that Slovakia had always only vexed us. We liked them and, for the most part, like them to this day; we were quite frequently even proud of this gold crown for this tooth. Just see what they proved able to do there with our help!

I do not wish to deprive V. Meciar of his glory as founder, but I must state that he is only finishing the work of his predecessors, that he is collecting the cream of the heritage of the living and dead. The constitutional beginning can definitely not be dated back to the so-called hyphen war, by the jurisdictional disputes, and not even by November 1989. This beginning has to be sought at the moment the existing unitary state transformed itself not into a federation, but into a kind of "union of two sovereign states," into a socialist federation (the looseness of which was only theoretical because it was compensated for by communist totality), into a model of a "federation with confederal elements," which is negated by democratic practices. It was not by accident that the Slovak parliament observed a minute of silence in memory of G. Husak. It was precisely under his rule that Czechoslovakia became a false dual federation containing potentially secessionist republics. Who was asking the citizens of the state for approval at that time? In those days, far more than today, a referendum would have been appropriate in which all citizens were asked to approve the establishment of a "dismantling state." However, such a referendum could never come out on the positive side under democratic conditions because it represents a denial of civic congruity and solidarity. With one exception: If the citizens of the more populous portion of the common state were convinced that they want to be separated from the less populous portion (because it costs them too much, because it is a burden which is dangerous for them and which does them harm). However, then it would not be a referendum dealing with changing a unitary state into a federation, but a referendum dealing with partitioning a unitary state into two independent states.

A truly functioning federation is a state in which everything which is necessary functions, including so-called civic solidarity (the redistribution processes and the compensation mechanisms). It cannot be partitioned without violating its laws, without force. This does not mean that it could not break up of its own volition, on the basis of the will of all of its citizens. Its individual components (regions, territories, republics) may not, however, organize their own (partial) referendums dealing with the topic of seceding from the joint state. This is the fundamental reason why a question as to who is worse off because of whom is beyond consideration. In an actual federation, I would answer those who are convinced that the Czech Republic is worse off because of the Slovak Republic by saying: So pick up and move to Slovakia and then we will be also paying for you. In a

pseudofederation, that individual could object by saying: But I do not know either the day or the hour that one or another republic will secede. The joint cash register is dependent upon absolute confidence which does not include a back door for departure which is constantly in readiness.

The current disintegration of Czechoslovakia thus began with a false federation and continued on the basis of that which incorporates even many others of our present-day woes: In legal continuity with socialism. The post-November existence of historic Czechoslovakia could have been saved only by returning to its last democratic Constitution. Only that Constitution could have been the starting point for making developmental changes. "States are maintained by those ideals from which they sprang." And these ideals are anchored in constitutions. Our present Constitution does not and never contained the idea of Czechoslovakia.

J. Carnogursky liked to speak of the temporary character of the common state in a manner which was a mixture of almost childish guilelessness and a "lack of vision." We shall secede when it will suit us, a valid constitution will make that fully possible. Even today, he actually only criticizes V. Meciar for hastening events, for not being able to wait for that latest moment. In this sense, it is necessary to objectively state that the acceleration of the process of partitioning the state is extremely advantageous for us. The moment which was suitable for J. Carnogursky and his dreams does not interest us, for us and in this situation, the most advantageous is immediate partition. In other words, we would very much like for astuteness and calculation to be supplanted by directness and hardness, by a lack of compromise bordering on arrogance. This only makes things easier emotionally for us.

From whom or from what V. Meciar is liberating Slovakia is a matter for those who voted for him. He liberates us not only from the worst of any possible methods of joint statehood, but primarily lifts the wool from our eyes, frees us from our unwillingness to admit the full truth regarding the actual constitutional essence of the CSFR and to draw logical conclusions from that situation. May God protect Slovakia!

#### HZDS Concept of Common State Explained

92CH0743A Prague MLADA FRONTA DNES in Czech  
2 Jul 92 p 6

[Interview with Roman Zelenay, chairman of the Federal Assembly's House of Nations, by Jana Bendova; place and date not given: "Czechoslovakia's Maastricht. Roman Zelenay: I Speak of a Common Union of States"]

[Text] Roman Zelenay, chairman of the Federal Assembly's House of Nations, is a deputy of the HZDS [Movement for a Democratic Slovakia]. He is one of the 58 deputies who sat in the outgoing parliament.

[Bendova] The HZDS program includes a declaration of Slovakia's status as a subject of international law, which is nothing other than an independent state. At the same time, however, HZDS does not demand complete independence....

[Zelenay] I speak of a common union of states. We here understand the common state to be a federation with a single international subjectivity, meaning that abroad the CSFR is perceived as a unitary state. The issue is merely one of terminology—federation and confederation may have a different content. I want you to note the Constitution currently in force which says that the Czech and Slovak Federal Republic is a common union of national states. Thus we are a union of states. This is a compromise struck in 1968 at the time meeting the actual Slovak demands for confederation and Czech demands for federation. It has led to something that may be called fish-fowl.

[Bendova] So we are clearly talking about two independent states which will attain membership in international structures and afterward form some sort of a union?

[Zelenay] This again is imprecise. We cannot talk about complete independence because we would have to define what is "independent." We say yes to independence in the political area toward the outside but in the economic realm we propose a model which is not "full independent" [preceding words in English]. I can liken it to the European Community which respects the independence of states in a certain sense but in another, for instance in farm policies, not at all.

[Bendova] So you are not advocating a formation which is called confederation?

[Zelenay] But we do speak of a confederation! But in another breath we define how we conceive of it. Take for instance the Helvetic confederation which contains many elements of independent states and many elements of unitary states.

[Bendova] But Switzerland is represented for instance in the UNO as a single state.

[Zelenay] Of course. This only serves to show that if we give a state formation a name we must immediately define it. I would define the future shared life of both republics as Czechoslovakia's Maastricht. The process now taking place in our country took place in Europe a hundred, two hundred, three hundred years ago and today the European states are moving toward integration. Why would we be returning three hundred years back?

[Bendova] You are the chairman of one of the houses of the federal parliament. What role in this process should be played by the Federal Assembly?

[Zelenay] The parliament was elected legally. The federation exists for the time being. For the time being! In the event a political agreement is reached on a state power

arrangement it is the parliament's right as well as duty to adopt corresponding constitutional laws. Of course, there is yet another constitutional way—adoption of constitutions by the republics which take effect according to Article 142 Section 2 of the Constitutional Law, and the federal Constitution would thus become ineffective.

[Bendova] Would then in the event of adopting a Slovak constitution the federal Constitution and federal laws become invalid in Slovakia?

[Zelenay] Not so. It is possible to adopt a Slovak constitution but of decisive importance is when it goes into effect. This would be tied to the process of negotiating the arrangement of state powers in which we agree how our shared life will look. Or its coming into effect may be conditioned on some legal act, possibly the signing of an interstate treaty between both republics. In terms of content there are even more variants. Nor does the constitution have to state explicitly that it abrogates a certain law. In the areas not regulated by it current laws would naturally remain in effect.

[Bendova] Consequently, a referendum in Slovakia ought to be called prior to a Slovak constitution taking effect

[Zelenay] I did not say that. I did not say either yes or no. This is a question of political will, situation, progress in the talks. We want the constitution for another reason: A constitution is the foundation of a nation's sovereignty. By thus acquiring the basic attributes of sovereignty a nation is enabled to negotiate on some matters. At the moment we are not sovereign, meaning that our agreements up to now can be likened to an accord between two adolescent boys who together want to buy or sell a house.

[Bendova] But a constitution which has not gone into effect preserves the status quo.

[Zelenay] It does, but once it has been approved, it can be promulgated at any time. This requires merely one short session of the parliament. Thus we can react immediately to developments in the state powers negotiations and so preserve constitutional continuity.

[Bendova] So how much time do you give to the federal parliament?

[Zelenay] Forecasters in Czechoslovakia have a record of being wrong virtually every time. So I don't want to make predictions either. How matters develop will determine everything. The issue is for the parliament to preserve democratic principles and the principles of political culture. It was precisely political culture in which the outgoing parliament was deficient. We came to the Federal Assembly from the opposition, and therefore we know how to value the cultural level of the negotiations.

[Bendova] As the foremost representative of the Federal Assembly how do you view the political agreements

between ODS [Civic Democratic Party] and HZDS relating to certain posts in federal bodies? I have in mind specifically demands on filling the posts of the FBIS [Federal Security and Information Service] director, Supreme Court chairman and the like? Aren't these agreements circumventing the parliament?

[Zelenay] All parliament decisions result from the political will of the parliamentary parties. If we are here talking about a state formation composed of two equal units we then must accept equal representation of citizens of the Czech and Slovak Republic. But at the same time I believe that we should gradually abandon the partisan criterion and propose professionals, even though their nomination would have support of the parties. In every state there are key posts and we have named them. Now they are the subjects for political agreements. Had there been no party nominations in the previous election period we would not have to discuss it today.

**Commentary Urges Support of Slovak Efforts**  
*92CH0748B Prague CESKY DENIK in Czech*  
*29 Jun 92 p 3*

[Commentary by Vladislav Krasny: "Let Us Cease Frightening the Slovaks!"]

[Text] Not a few people in our country responded to the first demands of a Slovak side to loosen up federal centralism (which, as a legacy of communist power, did actually exist) quite naturally: So, let them go! But when it comes to breaking the bread and when the Czechoslovak divorce is truly approaching, there is even some nostalgia, because a divorce of a marriage after 70 years is, after all, the end of a life together, even though it was not always ideal. And so, even many of those who have had enough of the constitutional disputes that have no results have a feeling of sorrow regarding the disintegration of the republic, which has been an integral part of 20th-century Europe and which had more positives than negatives for all of its nationalities. For others, however, it is an opportunity to chase after approbation from those who are less contemplative.

And warnings are addressed to the Slovak nation, the protectoral tone of which must bother even those who are not striving for splitting up a common state. An independent Slovakia will have to confront problems connected with Gabčíkovo, problems involving the minorities of the other nationalities, problems with borders that are not guaranteed on an international basis, and problems involving the conflict with religious faiths in the East. Apparently, the currencies will be separated and their varying real rates of exchange will be subsequently set, accompanied by a requirement to devalue not only with respect to the U.S. dollar, but also with respect to the Czech koruna. Abolition of internal convertibility will lead to abolishing the liberalization of imports, to the renewal of foreign exchange allocations

and commitments, and to a blossoming of a state bureaucracy. The subsequent disillusionment could lead to social unrest.

I do not want to cast doubt on the seriousness of these prognoses. I only doubt their effectiveness. The majority of Slovaks will not believe in them or will underestimate their importance anyway in the emancipation euphoria. Some 74 years ago, we also disregarded the voices pointing to the instability of an artificially created multinational state, the economic, political, and defense advantages of a larger state unit, despite the fact that, judged from the historical perspective, these were not idle false voices. Let us therefore stop frightening the Slovaks in a paternalistic manner with catastrophic forecasts. Anyway, they are adults and also know how to count!

Let us stop considering them to be immature children who have been duped and who do not know for whom they are voting. Although Mr. Meciar did not speak of "breaking up the state" in his election program (for the time being, he is satisfied with a common table), he did declare, prior to the elections, the clear demand for an independent state with international representation, with its own president, with its own bank of issue, and its own taxation system. Spoken in the words of Kováč: "We want a free union of two independent autonomous republics with international legal subjectivity."

Such a union can be formed by two independent states who must, however, become independent before they come into being and before they can come to agreement on anything. Thus, the Slovak citizen knew to whom and for what purpose he was giving his vote during the elections by voting for Mr. Meciar, for Prokes, in combination with Petr Weiss. In this respect, the majority of the population of Slovakia expressed its will clearly and without a referendum. And these gentlemen will surely not back down from their goals and mandates.

To criticize the Czech representation for taking cognizance of this fact and negotiating with the Slovak side regarding that on which agreement is at all possible and for refusing to continue with the endless and economically catastrophic acquiescence at chateaus and manor houses is not honest. What would change with respect to the actual status of the disintegration of Czechoslovakia if, instead of the open truth, they were to again notify all nations as to how nicely they have come to an understanding with their partner and have come to agreement, and if tomorrow the escalation of demands and unrest were to continue, as has been the case for the past two years?

A common state can be defined by the parameters of its basic functionality. The union of two close states can be created by agreement involving common interests and goals. In time, such an agreement can result in greater effects than is the case in today's semistate. The prolongation of the unpromising life of the current federation-nonfederation, however, leads to mammoth economic

losses, accompanied by the risk of subsequent social unrest, the latter being counted on by those who took the old name and goals of their party and only decorated it a little bit with cherry blossoms. Foreign investors do not believe in the stability of our laws, taxes, and promises and do not know who will pay the debts. Domestic investors are worried that Czech critics of reform, in alliance with the Slovak promoters of "specifics" will not again want to nationalize business. Many of them are practiced in this area. Let Poland be a warning memento!

It is worthwhile to strive for the preservation of a functional federation. However, if there are voices calling for preservation of the federation virtually at any price, even as only in nonfunctional decoration, that smells of hypocrisy and demagoguery or a hunt for confused souls under the protective standard of the party. It would be irresponsible to halt the reforms until the time that Marxist unification of contradictions occurs and to leave the state and its citizens virtually paralyzed. Neither demonstrations nor signature lists will change any of this. This is because in matters of social coexistence the views of those who wish to live together are not important. This is true both within the family and also within the state. If, in the Czech lands, all citizens, including infants, were to express their will to have a common state, it would be no use if the other side, which might even be smaller in number, does not express its will.

Every compromise has its limits. If the joint republic is standing at the edge of a constitutional precipice into which the Slovak side wants to push the joint state, then the side striving to preserve a functioning federation cannot leap into this chasm in the blissful hope that it can break its fall by catching hold of some kind of compromising shrub.

A referendum, which is the most democratic form of the expression of popular will need not be undergoing preparation for more than six months. In the Yemen Arab Republic, they managed it within three weeks, and, at that, even Hottentots lived there. The Federal Assembly can surely change the Constitution and can make the partition possible even without a referendum, despite the fact that such a solution is not without its risks. By the way, there are also risks involved in the referendum. If the question is posed poorly, the expressed will of the citizenry can be transformed into a trap. In any event, there is no need to entertain any great illusions regarding the results of the referendum in Slovakia. They voted for Meciar there because he promised them a change and an independent state. If he does not change this goal in Slovakia, then the opinions of the citizens of the Czech Republic do not count for a lot.

It makes no sense to frighten the Slovaks with the consequences of partition. It makes no sense to reproach them by listing all that we have done for them, how many teachers, postmasters, and administrative clerks we have sent there at one time, and how many factories we built there. In any event, this was not a one-sided benefit, and

it is also possible at times to cast doubt on the effectiveness of the investments. Has it ever happened within a family that the sons have changed their differing views and decisions only on the basis of the enumeration by their parents of that which they did for them during their childhood and how much money they spent on them? Even independent states can come together in the future for efficient collaboration without a feeling of injustice and disproportionate concessions.

### Coupon Privatization, First-Round Results

92CH0740E Prague EKONOM in Czech  
No 19, 1992 pp 22-23

[Article by Dusan Triska of the Federal Ministry of Finance: "Coupon Privatization: The Final Balance of the Preliminary Round—Coupons Turned Into Securities"]

[Text] *The process of registering coupon booklets and the progress of the preliminary round already provide a virtually endless supply of incentives for contemplation and analysis. The organizers of coupon privatization must conduct this analysis very quickly and, to the extent possible, must react immediately to the analytical results. In this contribution, we shall attempt to summarize some of the data and draw appropriate conclusions from it.*

### The Results of Registration and the Preliminary Round

A total of 8.53 billion investment points were "in the game," including:

- 6.13 billion points (that is to say, 72 percent), which were transferred to investment privatization funds (IPF).
- 2.4 billion points, which remained in the hands of the holders of investment coupons (DIK).

A total of 8.53 million DIK's were registered, including 2.22 million (26 percent) who did not participate in the preliminary round (these holders of coupons thus kept all of their 1,000 investment points for direct investment in some privatized corporation). Some 6.31 million DIK's (that is to say, 74 percent of the total number) did participate in the preliminary round, including:

- 5.81 million DIK's who deposited the entire 1,000 points with some IPF (including 4.7 million DIK's who gave the entire 1,000 points to a single IPF).
- 500,000 DIK's (32 percent) retained at least 100 investment points for direct investment.

Thus, a maximum of 2.72 million holders of investment coupons and 428 investment privatization funds may order stock certificates in the first privatization wave.

Great differences exist between the largest and smallest IPF's with respect to their "capital strength." Following coupon privatization, five administrators will exist in Czechoslovakia, each of whom will administer property valued at more than 10 billion korunas [Kcs]. The counterpart for these giant administrators are the "small

and medium-size" property administrators: 313 IPF's are of such a nature that none of them will achieve a property value volume greater than Kcs175 million (including 191 IPF's, which will administer property valued at less than Kcs35 million).

#### **Factors of Further Development**

At the present moment, the organizers of coupon privatization are primarily interested in the immediate results of the preliminary round and its impact on the further progress of the privatization wave. However, even the long-term effects of the preliminary round, which include primarily the establishment and development of a market in securities and anticipated changes in the quality of management of privatized enterprises, are no less interesting.

The specific image of the above processes depends on the specific development of the following factors:

- The distribution of interest in enterprises among DIK's and IPF's.
- The overall size of the IPF which will become a shareholder in the enterprise.
- The volume of public promises and other obligations which have been assumed by the administrators of some IPF's (particularly the largest ones).
- The share in the value of enterprise property privatized by the coupon method in the overall worth of the enterprise.
- The actual development of state regulation of the capital market.
- The issuance and distribution of securities (bonds and stock certificates) over and above the framework of the first wave of coupon privatization.
- The procedure of internationalizing the capital market (both formal and informal).

#### **The Technically Demanding Nature of Implementing Coupon Privatization**

The organizers of coupon privatization are aware that the actual distribution of purchasing power among the DIK's and the IPF's will immediately influence the equipment involved in implementing the individual privatization rounds. Theoretically, it could happen that 90 percent of all points are transferred to IPF's and, at the same time, all 8.53 million DIK's might retain a minimum number of 100 investment points for their own use. In comparison with this hypothetical case, the actual outcome of the preliminary round might expressly simplify further progress:

- Instead of the established system of registration offices having to service 8.53 million individuals, they will have to service "only" 2.72 million.
- Even the subsequent technical processing of the submitted individual orders will be simpler.
- Also, the danger that overall demand will be concentrated on a very small number of privatized enterprises as early as the first round will have been reduced.

#### **The Structure of Shareholders of Privatized Enterprises**

The results of the preliminary round already contain indications today of the structure and even the quality of future shareholders. It must not be forgotten that the shareholders will include even some other entities in addition to IPF's and DIK's. Unfortunately, one of the shareholders of privatized enterprises will even be the state—for an as yet unknown period of time (represented by the Fund of National Property).

The mutual ratio between "coupon shareholders" (that is to say, IPF's and DIK's) is given by the above percentage figures resulting from the preliminary round (72 percent of the investment points are held by IPF's and 28 percent of the points are held by DIK's).

The ratio between coupon shareholders and other shareholders is given by the share of securities intended for coupon privatization involved in the overall value of the property of those enterprises entering the first wave of coupon privatization. This share varies throughout the federation and in both of the republics:

- In the Slovak Republic, it is 75 percent.
- In the Czech Republic, it is 62 percent.
- In "federal enterprises," it is 52 percent.

#### **Establishment and Development of a Securities Market**

We shall all carefully monitor how the initial shareholder structure will be gradually changing. The pace and content of this process are undoubtedly influenced by the form and intensity of state regulation of the securities market (capital market).

The above market will be regulated in the CSFR particularly by the following three standards:

- The law on the securities market.
- The law on capital corporations and funds.
- The law on trading securities.

The first two of these laws are already in effect, the third one is under preparation.

The valid and anticipated regulatory measures will exert a strong influence upon the conduct of many IPF's as early as the privatization wave. The most important measures of this type state that the IPF must not own more than 20 percent of the securities of any one enterprise. This measure has the consequence for the largest IPF's of compelling them to invest even in enterprises which they will not necessarily consider as being promising.

#### **Expected State Regulation of Trading in Securities**

The original public opinion polls were showing that a maximum of 4 million inhabitants would participate in coupon privatization. The actual results are more than double the original estimates and are generally ascribed to the activities of the administrators of some IPF's. It is possible that the registration of coupon booklets could

have been, in many cases, more based on a decision of an IPF administrator than the actual citizen himself. It is, therefore, possible to estimate that approximately one-half of today's DIK's will not wish to become long-term owners of securities acquired on the basis of coupon privatization. If this consideration is correct, it is possible to anticipate that approximately 4 million citizens will not wish to remain as shareholders and will, therefore, endeavor to sell their securities in a relatively short time.

On the supply side of the capital market, a further contribution toward this activity can be made by the already mentioned existence of "unwanted" stock certificates owned by the largest IPF's. The IPF's will most likely try to sell such securities quickly and in their place will purchase state bonds, for example, or other securities. Additional pressure for the rapid sale of securities from the portfolios of the IPF's could result from the need to quickly pay the contractual fees to the fund administrator (2 percent for establishing a fund and 3 percent per year for administration). This pressure on the IPF's could be strong, particularly if exerted by those administrators who have been burdened by heavy obligations as a result of the advertising campaign.

For all of these reasons, the state must be prepared for the beginning movement on the supply side of the future capital market to require regulation.

However, consistent and flexible state regulation can be accomplished only on the basis of the law on trading securities, a law which should, therefore, be one of the first to be discussed by the new Federal Assembly. Among other things, this law stipulates the following:

- Where and how securities must be registered.
- Where and how securities may be stored.
- What forms stock certificates can take (material or dematerialized).
- Who may and who may not be active in the securities market and in what role.
- Who will be administratively limiting trades and to what extent and under what conditions.

#### Distribution of Securities Over and Above the Framework of the First Wave

Securities which come under the ownership of private individuals as a result of the first privatization wave will surely not be the only securities issued in the CSFR, because:

- The federation as well as the republics are already now very successfully learning how to issue short-term and long-term bonds.
- Privatized enterprises will be seeking new (fresh) capital by issuing bonds and new securities.
- Both the citizens and the IPF's will be acquiring securities in the second round of coupon privatization.

In summary, it is possible to anticipate that, in a very short time, securities valued at virtually Kcs1,000 billion will make their appearance on the capital market.

These facts must be reflected not only in the already mentioned legislative-regulatory framework, but also in terms of the technical support for and organization of trading in securities. All of these elements must be subordinated to one goal—the fastest stabilization of prices for securities which are sold and those which are based on coupon privatization.

\* \* \*

From the above, the following conclusions can be drawn:

The results of the preliminary round in the first wave of coupon privatization have direct consequences both with respect to the actual conduct of the individual rounds of privatization and also upon the quality of decisionmaking at privatized enterprises and upon the development of the future capital market.

From the standpoint of the mechanics of handling the privatization wave, the actual results of the preliminary round represent a simplification of the entire procedure—when compared to that which could have occurred.

The quality of decisionmaking at privatized enterprises must be judged not only according to any internal ratios of "coupon" shareholders (IPF's and DIK's), but also according to which other entities will make up the shareholder group. In this respect, the Fund of National Property could play a particularly negative role.

In view of the actual progress of registration and the preliminary round, it is necessary to expect a great deal of activity on the supply side of the future capital market, activity which it will be clearly necessary to dampen temporarily. The state will be adopting the appropriate regulatory measures on the basis of the so-called law on trading securities which, as we expect, will be adopted by the newly elected Federal Assembly on an accelerated basis.

#### Prices, Industrial Production Since 1989

92CH0721B Prague HOSPODARSKE NOVINY  
in Czech 16 Jun 92 p 20

[Article by Stanislav Dubsky: "Statistical Indicators in Changing Times"]

[Text] Systems of indicators that facilitate the understanding of and influence over phenomena and processes of economic social life are always characteristic of a relevant social economic system. Some belong to the directive and former so-called planned system, based on a system of socialistic ownership, others are typical for a market economy system, that is based on private ownership and private initiative. At present we are in a transition period, a transient state of the transformation from a planned economy to a market economy. The

systems of indicators, which define and illustrate economic and social facts, react differently to this transformation process. There are areas that are almost untouched by this process. These, for instance are the areas of population development, monitored by demographic statistical indicators; in addition, there are some areas of production statistics, like, for instance, the production of natural products in agriculture, some areas of consumer statistics, and others in industry.

The transition from the old socialist type of survey to the new one affects all areas of statistics, and creates a new image, a new form of organization, types of work and its utilization. While under the former conditions statistics were understood as a kind of obligatory activity of the enterprise's management, resulting from the fact that the participants in economic and social life had to provide details about the way in which they transacted business with so-called social assets, in the present situation the necessity of statistics is not disturbed by anything, it is still necessary, but has a totally different purpose and thus plays a different role. Like all information, statistical data are a necessary prerequisite for recognizing and resolving problems in the daily business of individual producers and consumers. In this sense they become an important component of individual decision-making, the basic component of their marketing studies, strategic decisions, etc. That is why it is so important to gather the data and evaluate them using the appropriate statistical methods and, above all, to ensure broad publicity for the statistical data. Official statistics cannot be limited to the gathering and preservation of data; there is also the obligation to disseminate the investigated data in a suitable form, which is done with the help of the publication system of the state department of statistics.

The precise definition of the contents of the determined indicators is of special significance for statistics. The demands of the economic transformation make it mandatory to introduce new systems of indicators, especially when illustrating national economic and macroeconomic processes. In order to express the share of all participating economic entities in the national economic turnover, statistics introduce a whole system of national accounts, in which, for the sake of clarity, the main groups (sectors) of participants in the national economic process have been separated: enterprises, the state, private households, etc. Let us note some of the important new indicators.

A key indicator of the extent of economic activity throughout the whole economic state system is the gross product indicator. An important sign of this indicator is that, from the point of view of spacial delimitation, it refers to units that are stably and permanently located within the territory of the state, and that is why this product is called the national product.

The gross national product essentially represents the value added by processing in all activities of national

economy, regardless of whether they are tangible products or services of an intangible nature. It also includes output linked with citizens living in their own homes.

Gross national product is calculated in real current sales prices with the exception of housing administration, where the calculation remains at the level of operating expenses. It is a matter of calculating in market prices while performance in budget-supplemented and self-supporting organizations in the sector of intangible services is evaluated on the level of operating expenses. Market prices include sales tax, but not intervention when purchasing.

In former national economic balance statements, based on the erroneous assumption that the creator of new values is exclusively the sector of production of tangible goods and production services, a similar central indicator of the volume of production was the "gross created national income," which represents the sum of net production (which is a narrower concept than value added through processing), i.e., it is, in fact, the sum of the differences between gross production and costs of materials, including the purchase of raw materials and semifinished products in individual branches of the production sphere increased by the wear and tear on fixed production assets and the liquidation of fixed assets in the nonproduction sphere, excluding losses from this liquidation of fixed assets. The net, sometimes unnamed or simply called national, income as understood in relation to the national economy, is merely the sum of the net production of the branches in the production sphere.

The ideological approach of the centralist, socialist type of economy underestimated contributions by branches of the nonproduction sphere from the total extensive complex of branches providing intangible services, as, for example, science, research, health service, education, culture, service to the state, etc. This inevitably became visible in their benefits to the development of the economy and society and led to their backwardness and decline.

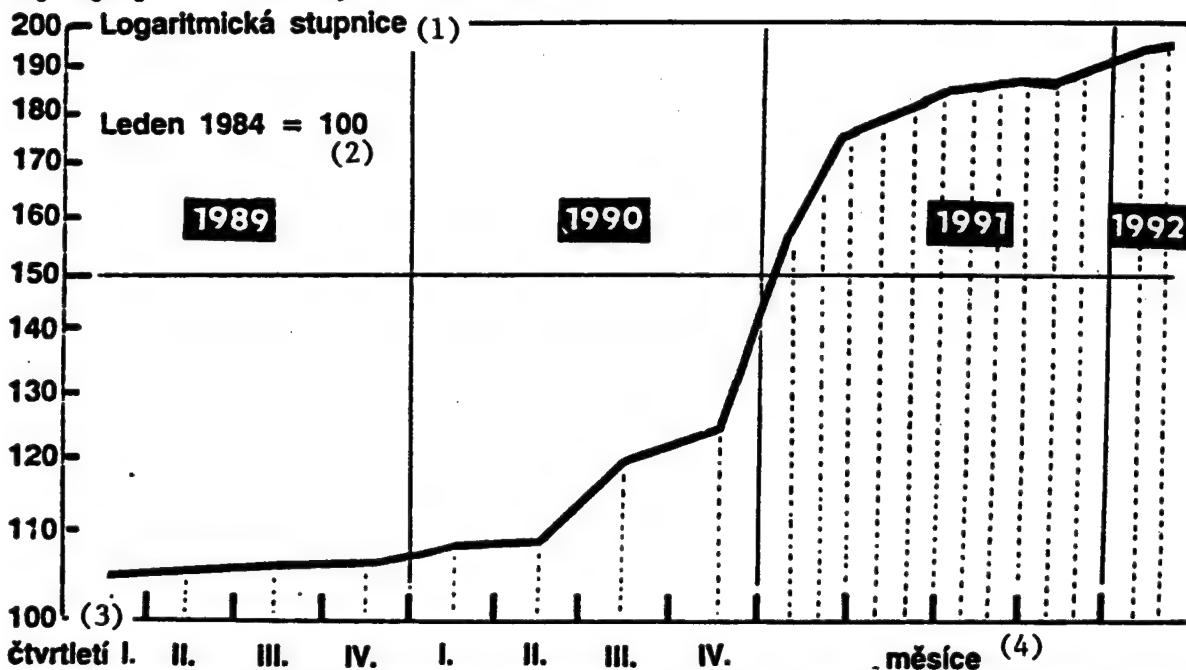
The national income also has an analogy in the system of national accounts and is called the "net social product," in factor prices. It includes all incomes for domestic participants in the production process both at home and abroad.

The items utilized, gross national income and gross national product, which likewise differ in content, are also important.

Utilized gross national income is made up of the non-production consumption fund and capital formation fund, including writeoffs. A significant component of the nonproduction consumption fund is other consumption, which includes consumption of all material goods and services of a production nature, which the citizens bought or had at their disposal from the production sphere, or which they received from the enterprises and other organizations in the form of income in kind. Wear

Development of Consumer Prices and Services

Vývoj spotřebitelských cen a služeb



Logaritmická stupnice lépe než rovnoměrná (lineární) zobrazuje vývoj jevů v čase. Volba základu (báze) srovnávání je záměrně přesunuta po seriální úvaze tak, aby zachytila většinu cenových změn v delším časovém horizontu.

(5)

Key:

1. Logarithmic scale
2. January 1984 = 100
3. Quarters
4. Months
5. A logarithmic scale illustrates the development of phenomena over time better than a linear one. The choice of the comparison base is intentionally shifted forward after serious thought in order to record most of the price changes over a longer period of time.

and tear on fixed assets is not included in personal consumption as a component of utilized gross national income. The capital formation fund includes a part of the investment component of capital formation and changes in inventories and reserves to eliminate changes in evaluation. The investment component of capital formation is understood to be the sum of costs expended to acquire fixed assets including geologic research work and design work connected with this, and the activation of items furnished within the framework of technical development, regardless of whether long-term assets have been exhausted; In agriculture, this also includes changes in the basic livestock herd.

Consistent with the concept of national accounts, and with a view to national product, we can, from the position of demand-side gross national product—i.e., the manner of consumption—present the utilized gross national product as a sum of the end consumption of

goods and services from private consumption, end consumption of the administration and society, from the real investment component, the creation of gross fixed capital, and the growth of circulating capital, inventories, and reserves, adjusted by the balance of imports and exports of goods and services.

Current and comparable prices in the national accounts at this time, just like in national economy accounting in a socialist system, appear as cash flows or as values evaluated in relevant prices. For a time comparison, in the case of these monetary values, it is necessary to eliminate the effect of price changes, which are especially visible under the transformation conditions in our economy. With the help of the deflation method, i.e., with the help of appropriate price indexes, the value aggregates are revalued to prices during specific time periods. In this way we obtain the values of relevant

aggregates in the prices of specific time periods, i.e., aggregates that are comparable in volume in time.

An important indicator in a socialist economy was the indicator of the extent of industrial production, "gross industrial production," or the production of goods. This was a price aggregate which was investigated using the depletion method in all units in comparable wholesale prices (without sales tax). This indicator was predominant when evaluating the work of industrial enterprises, because growth of this indicator was the criterion for evaluating the success of the operation of the enterprise. It was also an expression of the pursuit of quantity in production, and the extensive development of the economy. Temporarily the indicator of gross production continues to be monitored in the interest of facilitating analyses, just like the indicator of goods production, which results by deducting from gross production the changes in inventories of semifinished products and the status of production that has been started.

The overall value of industrial production that was manufactured in a specific production unit during a specific time period is not equal to the value that was

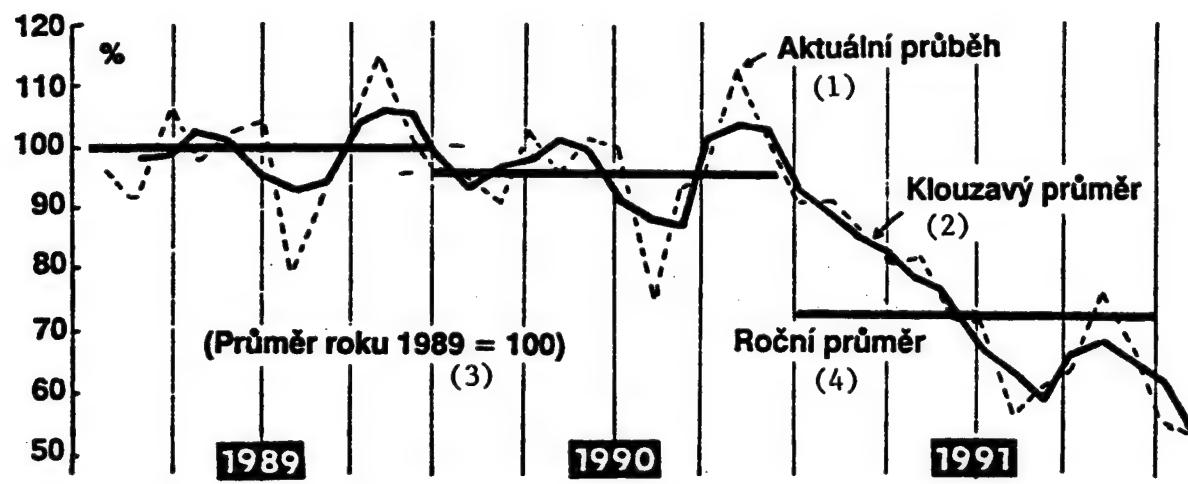
newly created in the same unit. The indicator of net production is determined as the difference between the product indicator and the material costs indicator, which are included in the production indicator used in a specific production unit. At the same time, the principle applies that the indicator of material costs that result as a sum of writeoffs and costs for materials, must correspond with the amount of transferred value which we included in the production indicator.

Sometimes the work done in a specific production unit within a specific time period is understood in a broader sense, as the work of people and fixed production assets. The equivalent of such work is the value added through processing, which can be calculated as the sum of net production, writeoffs, and auxiliary materials.

In a market economy a special methodology has been worked out for measuring the growth of industrial production, which we call the calculation of industrial production indexes. A selective method for ascertaining the growth of production is characteristic for this methodology, which is based on the selection of individual representatives that characterize the growth of production and an equivalent system of comparing individual

**Development of Industrial Production in the CSFR by Month**  
(average in 1989 = 100)

### Vývoj průmyslové výroby ČSFR podle měsíců (průměr 1989 = 100)



(5)

Trend aktuálního průběhu je jasnější použitím klouzavých průměrů (které zachycují vývoj v průměru tří měsíců a zmírňují tak sezónní vlivy a mimořádné výkyvy) a zejména pak vyznačením ročního průměru.

Key:

1. Actual course
2. Sliding average
3. (Average in 1989 = 100)
4. Annual average
5. The trend of the actual course becomes clearer when the sliding average is used (which records the average development over three months and thus modifies seasonal influences and exceptional fluctuations) and later, in particular, through the delineation of the annual average.

growth indexes. Austria's experience shows that in months the number of representatives produce about 3,000 products. In France this is 649 series, in the FRG about 1,000 representatives. Values added through processing are used most frequently for comparison. So far in the CSFR the growth in production has been ascertained through a substitution method such as investigating the volume of goods production in enterprises in current prices adjusted by the relevant growth in production prices, i.e., deflated by the industrial product price index. This method will gradually be replaced by similar direct calculations of indexes as in developed market economies.

During this transition period to a market economy, a new indicator has appeared in the reports of statisticians: the number of unemployed. This is one of the indicators of economic development, which holds a very significant place in the evaluation of development in the short term. It is ascertained at unemployment offices as the number of reported job applicants. It is a many-sided social and economic phenomenon, and its definition is dependent on legislative conditions linked with it. In order to evaluate it, it is necessary to know not only the total number of job applicants for whom jobs have not been found, but also the compilation of numbers of unemployed according to age, sex, length of time they have been looking for a job, whether they accept work or refuse it, whether they are retraining, how high their unemployment benefits are, and under what conditions these benefits are given, etc. It is impossible to find out a number of these facts from the documents in employment offices, and therefore, as of next year, statisticians wish to ascertain unemployment through individual types of families and households with the help of a special microcensus investigation using British experiences.

An important concept that we come across in the statistics of market economies is overall economic growth. This is the growth of the gross national product, which is calculated annually in most countries and quarterly in most developed countries—i.e., with an appropriate seasonal adjustment—expressed in comparable prices.

The rate of inflation indicator is important to establish the characteristics of the state of the economy. In the CSFR it is measured as growth in the retail prices of goods and services in the commercial network, in public provisions of food, and in the network providing services to the citizens. This index is officially called the index of consumer prices of goods and services and it is calculated monthly on the basis of constant important factors, i.e., the structure of retail sales, receipts from citizens, and data on the citizens' cash expenditures for services from the balance of citizens' cash incomes and expenses in 1989. Various differences in the consumer basket of individual types of households are taken into account by using various factors of consumption of goods and services, ascertained from the statistics of the family accounts of these households. At this time, the indexes of living expenses for the households of employees, farmers, and pensioners are calculated. In order to take

into account various consumer relations, the indexes of living expenses are also calculated for households with a larger number of children and various numbers of economically active members.

#### More Support for Small, Medium Businesses Urged

92CH0740B Prague HOSPODARSKE NOVINY  
in Slovak 17 Jun 92 pp 1, 4

[Article by Eduard Zitnansky: "Compulsory Obstacle Course—Why Do the Small and Medium-Size Enterprises Stay Silent?"]

[Text] *In economies in which small and medium-size enterprises aspire to the market not only with their words, they, for the most part, account for approximately 60 percent of the gross domestic product and for as much as 80 percent of overall employment. These enterprises are flexible, they are capable of changing their programs without requiring large investments, and they prove capable of reacting to the impetus of the market. At the same time, they are perhaps the most important antimonopoly factor.*

"Under our conditions," claims Vaclav Sosna, the plenipotentiary of the government of the Slovak Republic for coordination and support for small and medium-size business, "it is essential to assure support for the development of business not only through individual specific programs, but a conceptual framework must be created." This view is based primarily on realizing the extent of economic nationalization which was accomplished 40 years ago and the resulting generally unsuitable structure, high cost, and inefficiency of the economy. The only way out is the rapid creation of a strong private sector.

"An important argument for supporting small and medium-size business," Vaclav Sosna reminded us, "is also the fact that this sector accounts for new job opportunities and can tie up the portion of the entire volume of unemployment which will clearly show up with the elimination of the existing so-called artificial employment in state enterprises."

Despite the desire and the undoubted need, there is, thus far, no adequately worked-out mechanism for supporting small and medium-size business. Any steps, many of which are quite well thought through, continue to be uncoordinated and therefore also of little effect. To a considerable extent, development has been characterized by unfeeling incursions into legislation. The bureaucratic approach of state administration persists. The nonuniform interpretation of some standards and the ineffective nature of information systems almost discourage engaging in business activities.

Even private entrepreneurs do not indicate that the fundamental conditions for the development of business have not come into being. Vaclav Sosna in this connection points to some of the more specific interconnections. "The fact that a formal as well as actual equality in the rights of private business with other forms of business activity has occurred cannot, however, be confused with the hitherto unfulfilled need to support small and medium-size business." And it would seem that it is necessary to invent reasons for more specifically assisting the private sector. "These reasons are based, among others, on the fact that private business had virtually been liquidated in this country. The newly emerging activities simply require an initial impulse, at the very least; they must feel the positive pressure of preferential treatment. Only by extensively advantaging small and medium-size business is it possible to eliminate the objective handicap of private business people. Merely by declaring that private business has equal rights without adopting specific preferential measure favoring business it is not possible to anticipate that business will expand with any express rapidity."

A number of studies have already identified the barriers to business. They have identified them, but so far effective measures to eliminate them have not come into being. "The fundamental condition for the success of any kind of steps in this area," notes Vaclav Sosna, "is the detailed working out of a state policy to support small and medium-size business."

A clearly fundamental task is the completion of the kind of legislative outline which will provide sufficient motivation for the general expansion of business activities. "It is quite clear," states Vaclav Sosna, "that solving regional problems, including unemployment, can be successful only if favorable conditions will exert their long-term influence upon the entire territory of the republic."

It is likely that small and medium-size business feels the shortage of finances most of all. This does not involve the stressing of some naive notions concerning virtually unlimited streams of money. "In view of the importance of small and medium-size business, which can become a decisive future source of revenue for the state budget, the current status in which support for business development is financially dependent upon the possibilities at the disposal of the various ministries or upon the magnitude of the budgetary reserves appears to be very shortsighted." Vaclav Sosna proposes that the amount of funds destined to stimulate business development be listed as an independent line item in the state budget.

Sometimes the claims of entrepreneurs present a distorted picture which is unintentionally reminiscent of the practices of state enterprises. The situation is naturally different. Entrepreneurs do not demand any non-specific subsidies or resources which would make it possible for them to survive without activating themselves and proving that the existence of their enterprise in the market is justified. Notions on the effect of

financial instruments in developing small and medium-size business were formulated by Vaclav Sosna into several points. "We are not speaking about tax relief, but we believe that subsidizing investments in small and medium-size business could play a positive role, for example. Better use could be made of compensation for interest payments. Similarly, a broader framework for granting loan guarantees is being demanded. Businessmen would experience important assistance if given the opportunity to make use of interest-free bridge loans at times when they are beset with secondary insolvency. The financing of nonprofit organizations providing fundamental consultation services and assistance, mostly to beginning entrepreneurs, also appears as useful."

The problem does not lie in the fact that anyone doubts the need for developing small and medium-size business. There is almost a fear that large-scale support, which might be expressed, for example, also in the form of a "financial injection," will result temporarily in lower revenues for the state budget. It is turning out that seeking a solution is mostly a matter of the ability to find a suitable compromise.

#### **Reform Process in Agriculture Examined**

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in Czech 17 Jun 92 p 8*

[Article by Josef Hubacek of the Central Institute of Macroeconomic Research: "Uneven Economic Standing—The Reform Process in Agriculture"]

[Text] Following the overall increase in retail prices of food amounting to about 70 percent (from 9 July 1990 through 30 April 1992) and the concomitant decline in demand, and following a virtually 22-percent drop in consumption of foodstuffs in terms of physical volume, production in the foodstuffs industry is also declining, with all of the unfavorable production, marketing, and economic consequences that primarily impact on agricultural production.

Within the framework of the agrarian complex, it is particularly agricultural production which is impacted in view of its specific reproduction conditions by this attenuation process and the impact is felt most specifically in the sales and pricing area. As a consequence of a long-term biological cycle, particularly in livestock production, as well as in consequence of the deformed nature of the agrarian market, agriculture is not capable, in and of itself, to come to terms with the suddenly occurring production sales problems in the short term. Agriculture is not capable of handling the existence of surpluses and of solving marketing difficulties without suffering financial losses by immediately restricting production and by making one-time changes in its production goals. A decline in realized market production under these conditions will not even be prevented by an express lowering of market prices for agricultural products.

In view of the above, any kind of unequivocal accusations leveled at agricultural enterprises for not reacting on a timely basis to the changed situation and for not adapting the scope and structure of production adequately to market conditions which were changing virtually overnight are virtually unsubstantiated. On the other hand, it is precisely the relevant government and ministerial organizations which should have provided at least signal-type outline information to the enterprise sphere with sufficient advance notice so that agricultural enterprises could at least have partially adapted to the situation which developed. This did not occur, neither were at least preliminary partial stabilization measures taken, which would include the possible application of a quota system, pertaining to the principal agricultural products.

The delayed adoption of and the problematical utilization of republic-level funds of market regulation failed to fulfill its mission and the full solution of economic or sales production, pricing, and the financial situation plaguing agricultural enterprises were not even accomplished by the subsequent creation of the Federal Fund of Market Regulation. One of the negative aspects was also the fact that the originally anticipated creation and utilization of a system of interventional purchases and sales did not occur.

#### Prices and Their Consequences

Agricultural production thus found itself in a difficult economic-financial attenuation situation, as a result of more difficult production economic conditions and because of additional unfavorable circumstances, particularly because of the disproportionately strict and rapidly applied restrictive financial measures.

This is most clearly illustrated by the preliminary statistics on pricing data averaged for the year and for the month of December 1991 (December 1990 = 100). During the course of the year, retail prices of food rose by 29.5 percent, in December alone they rose 36.1 percent (retail prices for consumer industry products rose 60 percent and 67.7 percent, respectively), wholesale prices of food products rose by 22.1 percent and 26 percent, respectively; the prices of external inputs rose 48.3 percent and 55.3 percent, respectively, while purchase prices for agricultural products rose by only 3.8 percent and 11.2 percent, respectively (purchase prices in 1989 = 100).

According to preliminary data, the cooperative sector and the state sector in agriculture, overall, recorded losses for 1991 amounting to 21.1 billion korunas [Kcs] in terms of gross figures, whereas the foodstuffs industry recorded a profit of virtually Kcs16.4 billion, despite a lower volume of bulk buying of agricultural raw materials. As recently as 1990, the profits in agriculture amounted to virtually Kcs10 billion and those in the foodstuffs industry not quite Kcs6 billion.

Solving the consequences of the current relative agricultural or foodstuffs industry overproduction by exporting

the surpluses which developed is encountering the predominance of supply over demand and lower prices in the world agricultural market and also a shortage of suitable sales locations. Exports are thus, as a rule, becoming dependent on sizable proexport subsidies and are highly unprofitable.

#### The Agrarian Program

Conceptual unclarities and varying views regarding the perception of the agrarian program, the long time required to work it out, deferring its discussion and the unclarities surrounding its approval and adoption also characterized conceptual work involved in the corresponding proreform economic policy in agriculture and in the foodstuffs industry, and rendered this conceptualizing more difficult.

From the standpoint of its concept, the agrarian program is more of an outline orientational character. Instead of a thorough analysis of the currently undesirable status and in place of setting clear goals and directions for future development, it tilts too much in the direction of justifying and supporting the reform or transformation process. What is encouraging, however, is the fact that the appropriate emphasis is being placed not only on supporting the production functions of agriculture, but also the extraproduction functions (the ecologic, landscape-forming, and the habitation functions) or activities connected with the revitalization of rural areas.

However, agriculture urgently demands a long-term systems concept which is substantively outlined and which could be used as a starting point by agricultural enterprises in their practical developmental and entrepreneurial activities. Similarly, the working out of socioeconomic and ecological problems in agriculture in their broader and more narrow dependency is essentially missing. Without a final solution to these interdependences, jobs will be hard to find for one-third of the surplus manpower in agriculture, and the notion on expanding alternative agriculture and producing price-acceptable and health-perfect foodstuffs will remain a utopian one.

#### The Peculiarities of Agriculture

Existing agrarian policy concepts do not react with an appropriate method to the current unfavorable production-economic situation and to the specifics of the agricultural reproduction process. While the peculiarities of the agrarian market are being underestimated, there is an overvaluation of its current possibilities and of the functioning of the market monetary mechanism in the transition period. Particularly critical reservations can be leveled at the hesitant and inconsistent approach being used to create the essential economic-legal prerequisites, a factor which acts as a significant brake on, and slows down, the reform or transformation process.

Similarly, the impacts of a restrictive financial policy upon the economy of agricultural enterprises are so specific that, in some cases, they have exceeded the acceptable measure of tolerance. This policy not only

does not adequately solve the problem of the production-consumption collapse caused by the liberalization of prices, but these impacts lead to a problematic lowering of the intensity and efficiency of agricultural production and even cause symptoms of extensive management, brought about by a decline in the demand for foodstuffs. This situation occurs primarily as a consequence of limiting the utilization of external inputs, which have seen particularly disproportionate price increases, omitting some work operations, etc.; in other words, measures and approaches which, in their consequences and negative impacts generally do not show up until later—in practical terms, in two or three economic years.

#### The Need for a Radical Solution

In 1991, when compared to 1990, total financial intervention in agriculture was reduced by virtually one-third. The decline in the share of these interventions in overall compensation went from 34.8 percent to 22.1 percent, or from Kcs39.1 billion to Kcs24.8 billion (including subsidies to the domestic market, but excluding export subsidies), and Czechoslovak agriculture thus ranks among the least subsidized agricultures in Europe. For purposes of approximate comparison, in 1991, financial intervention in the agricultures of the EC amounted to around 33 percent; in Austria, 43 percent; in Sweden, 46 percent; in Switzerland, 75 percent; and in Norway, 73 percent. Heavy financial reduction methods are occurring under conditions when, in comparison with mature market-stabilized economies, the Czechoslovak economy lacks a desirable market-competitive environment and agriculture is exposed to strong monopoly pressures exerted by the supplier branches as well as by the commercial sphere.

With emphasis on the TOZ problem (the longer-range presupplying and production cycle), the tax burden

bore by wages and salaries (higher payments by workers), the inappropriate setting and the destimulating effect of the tax on land parcels, as well as the primary insolvency of agricultural enterprises and particularly then the secondary insolvency of customers (for the most part, in the face of their enormous profits), we are dealing here with factors which, in addition to financial and interventional restriction, primarily share in and lead to the current crisis situation which exists in Czechoslovak agriculture and to the unhappy economic-financial situation that exists in the majority of agricultural enterprises. This process is connected with serious unfavorable economic and social consequences, not only for these enterprises themselves, but for our economy as a whole and particularly for the citizenry as consumers of foodstuffs. In the absence of a radical solution, there is the danger that even the leading agricultural enterprises will have difficulties in economically surviving the harsh consequences of the transformation period.

Delays in working out and adopting an agrarian program on the part of the responsible republic and federal ministerial and government organizations and delayed resolutions or the late realization of measures do not solve and cannot solve the current production-economic problems in a comprehensive manner, systematically and functionally. Supplemental followup measures frequently only mitigate the problems which have developed and, in some cases, merely tend to correct previous decisions which have not been wholly appropriate anyway.

These situations are occurring because the importance, the tasks, and the standing of agriculture in the national economy are being underestimated; they result from a disregard of the specifics in agricultural production and in the agricultural market and because of a nonexistent acceptable agrarian policy concept.

### Behind the Scene of Suchocka Government Formation

92EP0577A Warsaw POLITYKA in Polish  
No 29, 18 Jul 92 p 1

[Article by Janina Paradowska: "Dejected Hamlets: Government of the 'Seven,' a Small Coalition's 'Bermuda Triangle'?" ]

[Text] A government has come into being, but there really was no enthusiasm over it. If people talked about anything, it was more about having a hangover. President Lech Walesa talked loudly about a hangover, about the fact that the "transitional idea with Pawlak" had not worked. Other people smoke more quietly and pointed out the compromise made between the Democratic Union and the Christian-National Union. This compromise has been tactfully described as "very far-reaching," or, less tactfully, "rotten." Several of the people were beaming, however, among them, the new Deputy Prime Minister Henry Goryszewski, who in all modesty did not aspire to the office of prime minister "owing to his very clear ideological stand."

It is just possible that the lack of enthusiasm is the result of fatigue too. How can anyone demand joyful smiles from Tadeusz Mazowiecki, who has spent the past several months almost entirely on negotiations, and, what is more, in the most astounding configurations? Or from Bogdan Borusewicz, who freely contributed to the compromise, but at any moment feels "the hot breath of the electorate," or of Solidarity's plant commission, on his back and listens to the question of why there should be any continuation, rather than a change?

#### Chamber Trembles

The government came into being with unexpected ease. The coalition of seven parties lost at the very first vote, over whether to investigate members of the former cabinet, and the point was carried. As it turns out, whenever anyone at the podium of the Sejm says the word "agent," fear immediately overcomes the people in the high chamber. Nobody knows the reason for the deep-seated conviction among the deputies that only agents can vote against any resolution for a lustration, even one clearly in conflict with the law. Not even the Presidium of the Sejm had the courage to state that, in view of the prime minister's declaration that candidates for minister had been examined for any possibility of being agents, the problem had been exhausted and there was nothing left to talk about. Speaker Wieslaw Chrzanowski became so entangled in allowing one motion after another to come up for a vote that it seemed for a moment as though we had another lustration resolution on the doorstep. At the last moment, however, the coalition managed to close ranks, but not without the help of Deputy Stefan Niesiolowski, who called the lustration move "a tragedy," in the course of the deliberation of the Assembly of Seniors. Because the delegate had said not so long ago that a previous lustration resolution was an achievement on the order of the 3 May

Constitution, this change in his viewpoint is noteworthy. It was probably a question of a tragedy ranking on the order of the 3 May Constitution. Such an interpretation is also somehow justified.

The KPN [Confederation for an Independent Poland] made the second attack on the formation of a government by presenting a draft of a resolution on removing the privatization minister, until the review by the NIK [Supreme Chamber of Control] was completed, and there was an explanation of whether Janusz Lewandowski would bear political responsibility for possible improprieties in the ministry that he headed. The coalition acted together, and the draft resolution was rejected.

Because of the absolutely exceptional decisiveness and energy of Deputy Speaker Henryk Bak (a member of the coalition assuming power), whom most of the deputies have long held in amazement, other KPN attempts to "mix in the government" were denied. Krzysztof Krol proposed, among other things, that the whole roster of the Council of Ministers not be accepted jointly, but that members be voted on individually, because some candidates received terrible criticism from the commissions before which they appeared—I will talk about this later—and others made some rather surprising public statements. Those by Jan Krzysztof Bielecki were the most surprising. During an interview by the weekly publication WPROST, he said unreservedly: "Prime Minister Pawlak also recently proposed that I become the minister for integration. Because there's no such ministry, I didn't know what I was supposed to do." Because several days later Mr. Bielecki received exactly the same proposal from Prime Minister Suchocka, Deputy Krol was not sure that Deputy Bielecki knew what he was doing. My colleague at the publishing office, Krzysztof Mroziec, considers it a great skill in good politics "not to allow oneself to be quoted," about which I recall here a warning to other politicians and at the same time recommend the above-mentioned interview as compulsory reading. It is full of quotes.

#### List of Defects

Everything has already been said about the coalition's support for the government. The government's main virtue is that it exists. Beyond that, people talk mainly about the defects. There is a long list of adjectives used to describe it, but I will mention just a few of those most frequently mentioned: difficult, strange, exotic, astigmatic, like Solidarity, and responsible to Poland. The word "difficult" was used most often, as the least severe.

The government has been described this way: A government of alliance for Poland, a government of national agreement (the prime minister), normal (Bielecki), a compact of several groups (A. Kwasniewski), salvation of the Sejm's authority (S. Niesiolowski), the least secret, because many well-known people are going into it (A. Zarebski). Many speakers mentioned the fact that this is a government of Solidarity, which usually means the only correct one. Roman Jagielinski, speaking on behalf

of the Polish Peasant Party (PSL), presented a somewhat different assessment: "Tadeusz Mazowiecki formed a government because of our support. Society ranked the effects of his work in the presidential elections. Later, Jan Krzysztof Bielecki formed a government. The society judged the results of his work in the parliamentary elections. Jan Olszewski's government would not have come into being without our efforts. The high chamber assessed the results of his work a month ago. In this situation we see no possibility of supporting the next government, which has Solidarity as its roots. The time has come for the camp which took power 3 years ago to begin governing in its own name."

Zbigniew Bujak of the "Labor Solidarity" Club judged the government's "only correct" origin in a completely different way: "Some political forces want to force on Poland a division into the good people of Solidarity, who should have the monopoly on governing, and other people, who have less such right, but this is a division that cannot serve Poland well. I do not hesitate to say that this is simply a belligerent usurpation," Bujak said, at the same time pointing out that the government includes Andrzej Bratkowski, who was a member of the PZPR until it was dissolved ("he perhaps more than any other Solidarity combatant tried to contribute to the democratic evolution of Poland") and Henryk Goryszewski, who competed against candidates from Solidarity in the 1989 election. There is also Krzysztof Skubiszewski, former member of General W. Jaruzelski's consultants' council, who "tried to influence Polish affairs in a commendable way." And then finally there is the prime minister herself, a delegate of the Sejm of the Polish People's Republic, who represented a branch of the Democratic Party during the time Solidarity came into being. "And without overlooking the differences in our origins, we must not fail to notice that it was possible in the Sejm of that day to work to defend the values we all held dear," Bujak said.

So much for origins. What then can be said of Hanna Suchocka's government? I share Jaroslaw Kaczynski's opinion that this is a government not so much of a seven-party coalition as a government of a small coalition, that is, the Union and liberals, along with ministers who support those groups. The small coalition filled the positions of prime minister, the head of the Office of the Council of Ministers, finance, privatization, foreign economic cooperation, labor and social affairs, integration with Europe, communications, cooperation with private business, and construction, and it appointed experts who had solid qualifications, politicians with established reputations. Add to that the ministries of national defense, internal affairs, and foreign affairs, all headed by ministers supported by the small coalition, and the picture of who really holds the power is clear. There is loud talk about the "Bermuda triangle" (Jerzy Osiatynski, of finance; Jacek Kuron, of labor and social affairs; and Janusz Lewandowski, of privatization), into which Deputy Prime Minister Henryk Goryszewski of the Christian-National Union will disappear. (As a matter of

fact, there are more than three, because construction, communications, foreign cooperation, and EEC integration should be added.) Deputy Prime Minister Goryszewski himself says in general terms: "We will live for some time, and we shall see, but it is generally known that this is a very hard working person. Economic problems are not his strongest point."

Nobody knows what the role of Deputy Prime Minister Pawel Laczkowski of the Christian Democratic Party is to be. Generally, he is to handle political matters, but it is worth noting that none of the Sejm commissions expressed the desire to meet with the future deputy prime minister, and he himself gave very strange answers to reporters' questions.

### The Experienced and the Incompetent

The ministers of the small coalition are also beating their colleagues from the "group of four" over the head in terms of experience in running state affairs, economic organizations, and professional preparation. They came through the hearings of the Sejm commissions in good or very good style. (Take Jan Maria Rokita or Andrzej Arendarski, for example.) This is in contrast to their colleagues in the "group of four." It has been proven that "the four" have tremendous ambition but no staff. The deputies had this view of Transport Minister Zbigniew Jaworski of the Christian-National Union (ZChN): "Lacks professional knowledge, lacks leadership qualities, low level of intelligence." After the hearings of Zygmunt Hortmanowicz, of the People's Accord (Porozumienie Ludowe), who today is the environmental protection minister, it was said: "The candidate does not have sufficient knowledge in the area of environmental protection, about the way to manage water, forest, and power resources...did not give convincing presentation of his own vision of running the ministry and working together with other ministries and ecology organizations and movements."

Waclaw Niewiarowski of the People's Christian Alliance, head of one of the most important ministries today, did not fare much better. The negative recommendation was justified as follows: "He did not present any concrete vision of a strategy for developing the Polish economy. He showed a lack of flexibility and an inability to adapt to the requirements of the current economic situation. He brings to the position a mentality of an executive director rather than a strategic manager. He is not oriented to the problems of the industry and trade ministry."

The head of the Central Planning Agency, Jerzy Kropiwnicki, received a negative recommendation from the deputies. He seemed satisfied with himself and called the recommendation the result of political gamesmanship. The deputies had another view. They thought he was very weak. Wishing to "help the candidate along," they gave him alternate questions on the subject of what he

had done in the labor and social affairs ministry, which he previously headed. They did not hear any satisfactory answers.

The candidacy of Jerzy Kaminski, of the People's Accord, was accepted for the position of minister for political affairs and parliamentary contacts, because the 66-year-old senator "will smooth conflicts between the government and the parliament, owing to his manner." In addition, the candidate exhibited such "talents" as not being at all familiar with the law on political parties, the small constitution draft, or, generally speaking, any of the material he is to handle.

One explanation for the bad marks the ministers gave to the group of four, which, unfortunately, must have made the prime minister ashamed—and the small coalition too, whether it likes it or not—could be Deputy Niesiowski's statement that the ZChN wound up in the coalition and in the government to see to the lustration. I understand this position very well, but why do you have to fill ministry positions with incompetent people in order to pursue the lustrations?

It is true that it did not take long for Hanna Suchocka's government to be formed, but there were moments when the formation of the government was reminiscent of a time many people would like to forget, the time, for example, when the so-called group of five took what they could in the Sejm, and even took what they could not be, by increasing the number of deputy speaker positions. Now the number of positions has also been increased, and terrible appointments have been made to some of them. In addition, competent people who are not party members have been removed from the ministries' leadership. For example, Prof. Stefan Kozlowski, a marvelous expert, had to quit the post of environmental protection minister, and Marek Rusin, who has a very good reputation, had to leave his position in the communications ministry. In the corridors of the Sejm, people were glad to hear the news that he would be deputy minister. The same thing happened at the Ministry of Health. Here I must mention that Waldemar Pawlak and the Polish Peasant Party were far more moderate in letting experienced people go in order to gain a larger dose of the coalition glue.

In this situation, it is not surprising that some members of the coalition seemed very ashamed and explained with some agitation that "for the good of the cause" the Republic would eliminate several additional posts, secretaries, Lancias, and so on. If only this were to be the cost of effective operations for Ms. Suchocka's cabinet, then as a taxpayer I would not revolt. But I am not certain whether my point of view is shared by the so-called broad ranks of public opinion, who react rather nervously to the tremendous increase in administration.

So, then, we have the government we have. We will know its detailed platform in three months. The encouraging fact is that nobody is promising any breakthroughs, accelerations, or new contests, nor to make lists of

information on previous governments or seek enemies behind every bush. The prime minister herself, and the group of people closest to her seem, to give us hope for a bit of peace and quiet and a chance to catch our breath after the successive political wars, and that is something.

The small coalition has paid a high price for the compromise, one much higher than it would have paid for an alliance with the Polish Peasant Party, but if something reasonable comes out of this "difficult" coalition and "astigmatic" government, then I will say that it will have been worth paying the price. For the moment, I understand why I have seen so few smiling faces since the government was formed, and why so many dejected Hamlets have been walking around the corridors in the Sejm.

#### **German Minorities in Northeast Regions Unite**

*92EP0568B Warsaw RZECZPOSPOLITA in Polish  
6 Jul 92 p 6*

[Article by Adam Jerzy Socha: "The German Minority in the Olsztyn Region"]

[Text] Officially, there was no German minority in the Warmia and Mazury region until 1990. Therefore, a petition to register the Cultural Association of Germans of the Former East Prussia "Heimat," with a seat in Szczytno, which was filed on 27 June 1990, came as a surprise. At present, 10 such associations operate in Olsztyn Voivodship. The first was begun mainly by the residents of the village of Kolonia in Swietajno gmina [township] (14 out of 16 founding members). "The territory of the former East Prussia prior to 1 September 1939" was indicated as the area of operation. The Civil Rights Department of the Voivodship Administration in Olsztyn questioned the term "former East Prussia" in the name of the association, arguing that a state bearing this name was eliminated by the Potsdam Treaty of 2 August 1945. It also questioned the word "Heimat" as not being Polish. In his response, the petitioner stated: "The position taken is an act of hostility and persecution of the German (capitalized as in the original—note by Adam Jerzy Socha) ethnic minority." The association was registered once it changed its name to the Cultural Association of Germans "Heimat."

The Civil Rights Department also had reservations about the name of the second association—the Association of the Independent Populace of the German Minority "Roots" in Olsztyn (petition for registration filed on 20 July 1990). "Historical experience indicates unambiguously that in Polish society, the word 'minority' in connection with the population of German extraction has pejorative undertones." In its appeal, the Founding Committee proclaimed: "We were born here. We work here for Poland and for ourselves. We are happy about the achievements of our Polish State. Therefore, why do they want to embroil us: This here is a Pole because he is of Polish extraction, and there is a Pole, but he is of German extraction, and therefore, he

should be looked at with extreme caution. There should not be such thinking because this is where we live and work (...) Our roots are where we were born. This is what our customs, our culture, our dialect, and so on are due to. We have an absolute right to have been born and to live in our country, in any state. This is not to say that, wherever we are born and live, the land immediately becomes German." Finally, the association assumed the name Association of the Independent Populace of German Extraction "Roots," and was registered on 10 October 1990. Subsequently, the following appeared: the Sociocultural Association of the German Minority in Warmia and Mazury, in Biskupiec Reszelski (the chairman signed on the petition as Paweł Golan, and after registration, as Paweł Gollan); the Mazury Association; the Polish German Union; the Olsztyn Association of the German Minority; the "Elk" German Association (initially, in the petition, the Association of Ethnic German Poles). In 1991, more associations appeared: The Association of the German Minority in Ostroda "Fir Trees"; the Sociocultural Association of the German Minority in Bartoszyce and Vicinity; the German Association "Natangia" in Gorowo Iławieckie; and the Mragowo Association of the German Minority "The Bear Paw."

The preservation of cultural unity, ethnic identity, and autonomy were mentioned as the purpose of activities in all the charters, which the associations copied off some model charter (the impetus came from the Opole section of Silesia). The associations pursue this goal in various spheres: cultural, educational, sports, social, scientific, and so on. Only the Cultural Association of Germans in Szczytno also set the goal of "embarking on claim actions with regard to the unlawfully confiscated properties and seeking redress for moral wrongs inflicted in the postwar period."

A scientist from the W. Ketrzynski Scientific Research Center in Olsztyn (he asked to remain anonymous) said that these associations are only now developing an identity of their own. In principle, they do not yet know well what they want; they are just now finding their way. Their members have diverse views, from revisionist to moderate.

At the Voivodship Court in Olsztyn which registers the associations of the German minority formed in Olsztyn Voivodship, I learned that there are quarrels both among and within the associations. This view is confirmed by a sharp conflict which broke out within the German Association "Natangia" in Gorowo Iławieckie after the congress of associations in Bad Pyrmont, Germany in March 1991. Information which I obtained suggests that money donated to the association by sponsors from Germany is the true reason for the conflicts. Dr. Huttenbach, Mr. Tietz, and Mr. Zettler, who are honorable members of "Natangia," are the sponsors of this association.

The founding members of the associations of the German minority consist for the most part of old people, retirees, annuitants, farmers, and workers. The founding

committees consist of a dozen or so people. In the opinion of Dr. Robert Traba from the Scientific Research Center, there is no way to come up with a credible number of individuals who, while residing in Olsztyn Voivodship, identify with the German motherland. Marek Leyk, a Mazury activist from Szczytno, tried to come up with such a number, putting the number of the indigenous population at 5,000 to 6,000 three years ago. In turn, Dr. Andrzej Sakson, in his book *Mazury—The Borderland Community* calculated that the indigenous population of Warmia and Mazury in the territory of Olsztyn Voivodship comes to about three percent of the residents, or 10,000 to 12,000, compared to 18.5 percent in 1950. Dense populations of the indigenous group do not exist in Olsztyn Voivodship after the campaign to resettle Germans from East Prussia and waves of emigration by the indigenous population in 1956 through 1959 and 1970 through 1980. Many individuals sign up with the associations in the belief that the latter hand out. The opportunity to receive papers to travel to Germany and work there also acts as a magnet.

Two associations, the Mazury Association (about 600 members) and the Olsztyn Association of the German Minority (more than 1,000 members), are the largest and the most energetic. Both associations filed petitions to register on the same day, 23 October 1990. Tadeusz Willan, until recently a Communist functionary, the former editor in chief of the defunct RSW [Workers Cooperative Publishing House] periodical WARMIA I MAZURY, and chairman of the Olsztyn chapter of the Vistula-Odra Association, was the initiator of setting up the Mazury Association, and is its chairman. It was precisely on the initiative of the Vistula-Odra Association and Dittchenbuehne e. V of Elmshorn that the Mazury Association was formed. The head of Dittchenbuehne is a deputy chairman of the Mazury Association. The objective for which the association exists, as defined in the charter, "is to create a situation in which the indigenous population of Mazury would not feel as outsiders in their native land." Tadeusz Willan put this objective into different words as he spoke during Sommertreffen, in Karwie, the Mazury area, in July 1991: "We want to reveal our German roots and develop the disappearing German culture." The association publishes its own bilingual paper, MASURISCHE STORCHENPOST.

The OSMN [Olsztyn Association of the German Minority], which is led by Walter Angrik, enjoys the confidence of official German circles (the Embassy of Germany in Poland). I did not find Angrik in Olsztyn, whereas other members of the leadership, including the press spokesman, refused vigorously, if politely, to provide any information about the association. Therefore, I learned from other sources that the OSMN has five million German marks in its account. The association made a contribution toward the acquisition of a computerized tomograph for the Voivodship Hospital in Olsztyn. The German Government equipped the foreign languages laboratory of the Olsztyn WSP [Higher Pedagogical School] through this association.

OSMN Chairman Walter Angrik is striving to consolidate associations operating in Olsztyn Voivodship and to set up a supraregional union. On 23 April 1992, a petition to register the Union of German Associations in the Olsztyn-Gdansk-Torun Regions, to be headquartered in Olsztyn, was submitted to the court. It was signed by the three main associations of the German minority in Gdansk, Torun, and Olsztyn (precisely the OSMN). As "Regional Group North," the Union will be an associate member of the Central Union of German Sociocultural Associations in the Republic of Poland, headquartered in Opole. The union proclaims its desire "to strive for the peaceful coexistence with the Polish population, which is in line with human dignity, and wishes to contribute its cultural heritage to this commonwealth." It also proclaims "religious and political independence."

Sources: articles in the magazine BORUSSIA (published by the Borussia Cultural Commonwealth in Olsztyn); by Bozena Domagala, "Ethnic Orientation of the Residents of Mazury and Warmia," associations of the German minority in Warmia and Mazury, and by Małgorzata Pacek, "German Mazury Today."

#### Onyszkiewicz on Unsure Atmosphere in Military

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28 Jun 92 pp 12-13

[Interview with Janusz Onyszkiewicz, director of the Ministry of National Defense, by Katarzyna Nazarewicz; place and date not given: "Second Incarnation"]

[Text] [Nazarewicz] You returned to the ministry after several months of absence. Will you give a general opinion about unrest in the military, and information concerning recent preparations for introducing a heightened state of readiness?

[Onyszkiewicz] So far, I am trying to ascertain whether the signals that have reached us justify a statement about unusual troop movements and their preparation for introducing a heightened state of readiness. At the moment, I cannot say anything more than that the matter is being cleared up. One thing is for certain: even if the signals are confirmed, they would not be evidence of any activities on a wider scale.

[Nazarewicz] Two days after returning to the Ministry, you stated that the atmosphere in the military was bad.

[Onyszkiewicz] I would like to recall certain facts: Prime Minister Mazowiecki had already appointed a special commission, which was tasked with analyzing the entire defense system of the state, and also with defining the direction of reform in the military. The commission failed to be formed, because the government changed, but the cabinet of Premier Bielecki took over the initiative. The most essential task of this commission was to work on a new model of the armed forces and large-scale reform of the Ministry of National Defense. This reform

had to rely on separation of the civilian and military structures, which administer the military, from the purely military structures.

[Nazarewicz] It was said that this is a matter of finally creating a true ministry, which does not exist today.

[Onyszkiewicz] It does not exist, because this institution that I am currently directing has a structure that is dozens of years old, built during the existence of the Warsaw Pact, completely incongruent with the current demands and practices of the democratic nations. The soldiers are disillusioned, because they accepted the necessity of these changes, but they see that, so far, nothing has been done on this issue. The commission's work was completed, the results were presented to the parliamentary Commission of the National Defense, and they were accepted by the government and president. It was expected that the startup of the reform process would be handled by the civilian minister. The civilian minister arrived, and nothing changed in this material. It was not known how one should look at the ministry, how the services involved with supply, investments, purchase of new equipment, and research work should be divided. No one is sure of either the day or the hour. The slogans of radical decommunization of the military intensified the atmosphere of uncertainty. Minister Parys spoke about dismissing people, who represent the "eastern option", from the cadre, but to this day, it is not known very well what he meant exactly.

[Nazarewicz] You announce verification of the recent military appointments.

[Onyszkiewicz] Some politicians talk about a purge in the military, but this does not make sense, nor do the facts confirm this. It is true that I will analyze the appointments in the army, but also in the structures of the ministries, and that, however, does not have any association with the cadre movements.

[Nazarewicz] However, your meeting with General Viktor Dubynin, Vice Minister of Defense and Chief of the General Staff of the Armed Forces of the Russian Federation, is associated with the movements of Russian troops in Poland. General Dubynin confirmed his desire to hold talks on this subject with you, in particular, and even described you as "a serious politician with whom one could come to an agreement".

[Onyszkiewicz] General Dubynin presented, for the first time, a very accurate map for location of Russian troops in Poland, and a detailed plan for withdrawal of Russian operating units. After 31 December 1992, a group of 6,000 soldiers of the communications troops (perhaps even fewer still, and continually fewer) will remain in Poland. These soldiers must be stationed here during withdrawal of Russian troops from Germany. Only communications equipment, vehicles, four airplanes, and two communications helicopters will remain in Poland. All of the heavy equipment will leave our country. By the end of 1992, a total of 15,500 soldiers and 9,000 units of heavy combat equipment will be gone from this country.

[Nazarewicz] Recently you were in France at the invitation of the Defense Minister of the French Republic. Many months ago, this invitation was put in the hands of the then minister, Admiral Kolodziejczyk. Did the talks with Minister Pierre Jox bring any subsequent settlements in the matter of Poland getting closer to NATO?

[Onyszkiewicz] We are tightening the bonds with NATO through contacts with the Pact's headquarters in Brussels, and through talks with member nations of this union. During my visit, Minister Jox and I signed an agreement for military cooperation between our armed forces, and we exchanged views about the situation in Europe and the adjacent territories. We also discussed cooperation in military production.

The outcome of my talks in Paris is that Poland is an especially important country for France, and they are very sympathetic to our efforts to establish formal ties with the Western European Union, which, in accordance with the Maastrict agreement, is an element of the European defense identity within the NATO framework.

[Nazarewicz] Let's return to Polish affairs. For the first time six months ago, General Jan Swiatowiec, head of the military department of the National Security Office, also took part in the weekly Wednesday session of the Ministry of National Defense group. Is this an expected change in the ministry-president line and can this mean a return to the concept of close cooperation between the Ministry of National Defense and the Office of the President?

[Onyszkiewicz] This is not a change, but simply a return to a former practice. Before January, a representative of the National Security Office always took part in these meetings. I do not imagine serious treatment of the state's defense affairs without close cooperation between the two most important institutions responsible for this issue.

[Nazarewicz] As head of the Ministry, do you still intend to return to the so-called Parys matter?

[Onyszkiewicz] The Sejm commission clearly stated that Minister Parys' declaration had no foundations and was harmful to the state. I recall that this was a unanimous opinion and it already makes no sense to return to this matter.

[Nazarewicz] What is your relation with the informal associations operating in the military: the sensational, little-known Association of Young Officers on Behalf of Changes in the Military and the "Viritim" organization?

[Onyszkiewicz] The only thing we know about the Association of Young Officers on Behalf of Changes in the Military is that leaflets with its signature appeared, and no other signs of life of this group have been confirmed so far. This matter was studied in the military, and it looks as though it is a mythical organization, that it does not really exist. However, "Viritim" ("All Together") is essentially active, although it is not known how

numerous it is. Its goal is to provoke far-reaching personnel changes in the military, and, since it wants to influence such an important question as cadre politics, it must be treated as a political organization. Therefore, in accordance with legal regulations, no officer or soldier in active service can belong to this organization.

[Nazarewicz] What was your first decision after being appointed by Premier Pawlak? Did you phone home that you would return late, or perhaps ask for strong coffee?

[Onyszkiewicz] No, my first decision had to do with relinquishing the guard from the Personal Security Unit. I turned around and said, "Thank you very much, if I need a guard, the soldiers will protect me."

[Nazarewicz] Was that already at the Ministry, on Friday evening?

[Onyszkiewicz] Yes, although I made my first decision even earlier, even before I arrived here. My appointment took place in the Sejm, but I arrived at the parliament, as usual, on a bicycle, because, for over 10 years, in summer and winter, I have been getting around almost exclusively with this means of locomotion. I didn't much know what to do with the bicycle. I wanted to ride it to the Ministry, but a government Lancia [automobile] had to drive behind me. However, they didn't agree to that. Therefore, we placed my bicycle in the trunk of the Lancia, but because it is an old rusty, folding Romet model, they didn't want to fold it, and, with the trunk open and the wheels protruding from it, we arrived at the Ministry.

[Nazarewicz] Where do you keep your bicycle now?

[Onyszkiewicz] I still haven't succeeded in returning home with it; it's in the vicinity of the ministry. But in the Sejm I always kept it somewhere on the side, although I admit that my trust in peoples' honesty is not unlimited, because I always fastened it with a chain.

#### Economic Positions of Political Parties Presented

*92EP0570A Warsaw ZYCIE GOSPODARCZE in Polish  
No 24, 14 Jun 92; No 26, 28 Jun 92; No 27, 5 Jul 92*

[Comparative presentation titled "A Concept for the Economy"]

#### [14 Jun p 5]

[Text] Since the fall of premier Olszewski's government, attempts have been made in parliament to create a majority coalition program, headed by the new premier, Waldemar Pawlak. In these coalition approaches the economy is always the priority problem, revealing both similarities and disparities.

Before the elections to the Sejm and Senate, we published fragments of programs describing the positions of the particular parties on the most important, in our opinion, problems in economic and social policy. These

articles met with very great interest. After seven months we are returning to this form of presentation.

We selected several issues which, we believe, describe the basic differences in the economic and social programs of the parties which make up the various coalitions, as well as those which declare themselves to be in opposition. We believe that this will help to organize the now somewhat chaotic knowledge of the positions of the various parties on the economy.

The first group of responses to our request, which were received in May, appear below. (Alongside the name of the parties we give the names of the authors of the responses.) Further responses will be published in succeeding editions.

### I. Ownership Transformation

A. Model of universal privatization (the president's, the government's, or other).

B. Reprivatization (on how large a scale?).

C. Place of state and employee ownership (eliminate entirely, maintain pluralism of ownership, or other solution).

#### Response From Polish Peasant Party (Ryszard Miazek)

A. We are against unrestrained privatization with unrestricted evaluation of its assets. We warn against privatization in appearance only, one that does not lead to real responsibility for property. We prefer the concept of universal endowment with property rights. We have many reservations as to the government program now being implemented. It does not fully provide for the goals which privatization is supposed to achieve: supply funds for development, radically increase labor productivity, increase the inflow of foreign capital, etc. The president's model of privatization is still not detailed enough for us to be able to evaluate and criticize it.

B. Reprivatization should not undermine the laws on nationalization. We are against the auctioning off of wrongs that result principally from the horrors of war. Reprivatization should be an exception. It should cover cases of past violations of law, apply to first-generation owners, and not infringe on the vital interests of the present users. We do not believe that repivatization is the present government's most urgent and most important task.

C. The place of state ownership should be designated by enterprises of crucial importance to the national economy, e.g., raw-materials mines, the armaments industry, the railroads, and telecommunication. We emphasize that the basis for good functioning of a market economy is not mainly private ownership, but the healthy competition among all forms of private and group ownership, treated equally. Internal demand also shapes the expenditures of the budget.

#### Response From Labor Solidarity (Ryszard Bugaj)

A. If by universal privatization we are to understand distribution, we are definitely against it. Ownership deeds can be distributed free only in exceptional situations: e.g., as compensation for proven wrongs or to support institutions acting in behalf of the common good. Universal distribution as a heroic attempt to hasten the process of privatization is an undertaking fraught with dangerous effects.

B. Reprivatization, on a very limited scale. We are opposed to settling the claims of former owners ahead of the claims of people who performed, e.g., compulsory labor, during which their housing savings depreciated. All of this has to be assembled and added up and we must try, insofar as the state's capabilities permit, to arrive at a settlement while respecting, in some degree, the rules of limitation.

C. We do not want to plan the structures of ownership. Ownership should shape itself freely, depending on the effectiveness of enterprises belonging to different sectors and on the process of accumulation. Except that there should be strict observance of the principle of equal or equivalent conditions for the functioning of private and state enterprises. It is also important that the burden on society be distributed equally.

#### Response From Solidarity (Wojciech Arkuszewski)

We were always in favor of rapid and mass privatization in which very broad consideration is given to the distribution of state property and the protection of the interests of state-enterprise employees. The realization of these demands may be disputable. As a trade union we approved a much greater internal differentiation of views than in the political parties. That is why the reply pertaining to details will be much more personal.

We support repivatization on a limited scale because it reduces the access of employees to a share in the assets of the enterprises and because the enterprises that are taken over will require the investment of additional capital which, as a rule, the former owners do not have.

#### Response From Party of Christian Democrats (Zdzislaw Bradel)

A. Privatization of a basic part of the economy is essential. Both capital privatization as well as universal distribution of privatization certificates. Privatization of small and medium state enterprises by different forms of sales, tenancy, and leasing. The government's actions in this regard are insufficient.

B. Broad repivatization, conducted in a rational way, with regard for the well-conceived interests of all involved parties.

C. Restrict state ownership to the indispensable minimum. Pluralism of ownership should be retained. The principle of absolute observance of ownership rights must be written into the constitution.

**II. Financial Policy**

- A. Budget deficit (upper limit five percent; higher, but under certain circumstances, etc.).
- B. Additional emission of money (essential to revitalize the economy; inadmissible; other solutions).
- C. Tax policy (solutions are going in the right direction; other solutions are needed, etc.).

**Response From Polish Peasant Party (Ryszard Miazek)**

A. We do not approach the budget deficit in a strictly mathematical way. The practice in other countries gives us no reason to believe that there is some precisely defined figure which indicates the permissible limit of the deficit. The more important issue is the method of financing and servicing the public debt. Financing of the budget deficit through credits and deposits of treasury certificates in commercial banks should be reduced, and it should be increased through direct deposit of treasury certificates in the National Bank of Poland.

B. In the opinion of many specialists, additional issuance of money is indispensable, and increasing the flow of money does not have to bring about a rise in inflation. The monetarism of Polish reforms expressed itself in an extreme and arbitrary reduction of the money in circulation, which led to a large reduction in production, and as a consequence, in a dramatic drop in state revenues. In the present circumstances, the state's most important task is to halt the recession. This requires a perceptible increase in the flow of money into the economy in such a way as to not intensify inflation, but to create conditions for development. This can be achieved by increasing the quota for investment credits, propping up exports, and instituting a preferential and stable system for financing agriculture.

C. The weakness in the present tax policy is the insufficient use of this instrument to stimulate production. We propose the use of a tax that would apply to only that part of personal income which is used for consumption, in place of an income tax on all of an individual's income. This would create a strong incentive to transform part of the income into capital. This would produce an increased investment demand. It would also facilitate a gradual elimination of the tax on the growth of wages (*popiwek*). A negative effect would be a temporary drop in budget incomes, estimated at 3 or 4 percent of receipts.

**Response From Labor Solidarity (Ryszard Bugaj)**

A. The size of the deficit has to be the result of a detailed analysis. The unsurpassable limit of five percent is mental trickery. Pragmatism tells us that the deficit may be higher. But the size of the deficit should not be treated lightly, as does the KPN [Confederation for an Independent Poland].

B. We are in favor of relaxing the income policy. If internal demand does not rise, which is also a matter of

protecting the domestic market, there is no hope that recessionary tendencies will be overcome. Internal demand also shapes budget expenditures. We cannot immediately depart from the path onto which Leszek Balcerowicz entered with such a flourish in 1991 when he financed (for a sum of 20 thousand billion zlotys [Z]) expenditures by printing more money. This practice must be reduced gradually.

C. The model of tax policy is going in the right direction. Its implementation causes concern. The fiscal discrimination of the state sector (dividend and *popiwek*) limits, to a large degree, the flexibility of action in the enterprises. As does the unusually good climate, compared to other European countries, created for the wealthiest groups, in the income tax rules applying to individuals.

**Response From Solidarity (Wojciech Arkuszewski)**

We regard the return of hyperinflation to be a very serious threat. Under the concrete conditions of the Polish economy, setting the limit of the permissible deficit at five percent of the gross domestic product is, by its very nature, very inexact.

There is agreement as to the concept of a tax system, however there are important differences among us as to tax exemptions and investment allowances. It is commonly believed that allowances should be expanded, but some members believe that tax allowances constitute relief only for the wealthiest, who then pay the lowest taxes.

We have believed quite generally that greater attention should be given to valorization of credits and deposits, which, thus far, the National Bank of Poland has opposed.

**Response From Party of Christian Democrats (Zdzislaw Bradel)**

- A. A budget deficit within a 5-percent limit.
- B. Additional issuance of money should be avoided.
- C. We give a negative rating to the state's present tax policy. A tax system should be adopted immediately which includes ordinary tax write-offs for money invested in the development of an enterprise.

**III. Role of the State in the Economy**

- A. Position on state enterprises (privatize all of them, protect the efficient ones, liquidate the weak ones, or other solutions).
- B. Policy on agriculture (guaranteed prices, preferential credits and allowances; equal treatment of all sectors of the economy, etc.).
- C. Concepts for solving the question of the indebtedness of state enterprises and the so-called payments in arrears (proposals go too far; are too timid and belated; the role of banks and the budget in this process).

**Response From the Polish Peasant Party (Ryszard Miazek)**

A. In a situation in which most enterprises are state-owned, putting them up for sale inevitably leads to underpricing of the assets. Given this we come out in favor of commercialization as the first stage of changes in the system. Managers should be given more power and there should be a new dependency arrangement in the management/workers self-management/trade union triangle. In the face of the danger of a further rise in unemployment, keeping even the weak enterprises alive would seem to be justifiable.

B. The policy on agriculture must take into account its specificity. It is precisely that which justifies the granting of preferential credits to this sector. In reality, these are not so much an expression of preference; rather, they are an attempt to create uniform conditions for all sectors of the economy. Guaranteed minimum prices, in a market economy, are the basic tool for organizing agricultural production. In practice, minimum guaranteed prices stabilize production and shield it from natural fluctuations, thus serving the producer and the consumer to an equal degree. Agricultural policy can no longer be a policy of survival. It must become a policy of development. In speaking about minimum prices, guaranteed by the state, we are referring to the basic products—milk, grain, and slaughter livestock. All of the others may be similarly regulated at the initiative and within the capacities of the institutions which procure, process, and sell food.

C. The mutual debt already amounts to Z300 thousand billion. We propose that the credits drawn before 1990 in state banks be converted into long-term credits at an interest rate which can be serviced, and that special, interest-bearing treasury certificates be issued under unregulated state obligations.

**Response From Labor Solidarity (Ryszard Bugaj)**

A. The pace of commercial privatization is not set by the privatizers but by the competitive relationships among the enterprises of various sectors and the size of the demand for the property of the privatized state enterprises—reasonably priced. If we do not want to give the property away for a pittance and ruin the state budget, the pace of privatization cannot be fast. Therefore, a mixed economy must exist for a few or even several years. That is why it is most important to restructure the state sector and create the conditions for it to function normally. Should we protect those that are efficient? Certainly we should not easily let go those which potentially, from the standpoint of accumulation, bring in the greatest returns for the budget.

B. Minimum prices on two or three farm products, tied to supply prices for agriculture, gradually decreasing with time. Consumption of means of production in Polish agriculture must be made more efficient. Preferential credits are a very dangerous instrument and except for the purchase of pesticides and possibly fertilizers,

should be applied very cautiously. There is no reason to differentiate between tax allowances granted by virtue of investment in agriculture and outside of it.

C. Indebtedness does not apply only to state enterprises. Private production enterprises are also very often in debt. And as long as there is a recession, there is no effective way of solving this problem. Conversion, or freezing a portion of it, or postponing the credit-payment deadlines, requires government guarantees, i.e., money in the budget. Otherwise the financial standing of the banks may be impaired, with all of the tragic consequences that this entails.

**Response From Solidarity (Wojciech Arkuszewski)**

In accepting the rules of a market economy we always believed that moving to a market economy requires an active industrial policy on the part of the government. In practice, we are waiting for such actions, for which the present government administration is not prepared. First of all, we have to improve and develop the government's economic administration.

We can talk about many different issues. I will focus on one, which, in my opinion, is the most important one. I am referring to the queues for privatization. At its present pace, privatization will go on for another seven years. For an enterprise to have to wait that long until its fate is determined is something that is entirely unacceptable. Yet the present policy has come down to having the government concern itself with those at the head of the queue. What about those who are further down the line? That is the basic problem of the state's economic policy. One proposal that I heard was quick commercialization, or putting all enterprises under the commercial code. I have all kinds of doubts, but I see no other proposals. For over a year Solidarity has been bringing up the matter of the enterprises' unpaid debts. We believe that this is too important a matter and the sum of the unpaid credits is too large, for the banks to cope with this themselves. Furthermore, the banks are not substantively prepared to make the decisions which confront them.

This means that credits will have to be divided into different groups and treated separately, and more money will have to be put into the banking system. Possibly a set of intensive measures to be instituted in the state banks, and a thorough reform of the banks. It may quickly appear that the idea of branch banks is not effective if there is not constant pressure by the banks to make changes in the banking system. This is an exceptionally conservative field.

Perhaps I should end by saying that aside from the queue for privatization, the reform of the banking system is the Polish economy's main problem.

**Response From Party of Christian Democrats (Zdzislaw Bradel)**

A. As we go to full privatization we should give the state enterprises help in taking the necessary restructuring and

efficiency-improving measures. We have to reconstruct the economic laws so as to facilitate professional management of these enterprises.

B. We are in favor of many forms of farming, giving preference to family farms. It is essential that we have an active state tariff and tax policy which supports our agricultural production and the development of small agricultural-processing enterprises. We should privatize state farms.

C. We know nothing about a government concept to reduce the debt of state enterprises. It will be possible to construct a rational concept to solve this problem when data is available. The report on the status of the state should contain this data. Naturally, we are talking about a report and not about the stopgaps with which we are constantly dealing.

#### **IV. Social Policy**

A. Unemployment (actions being taken are optimal; definitely inadequate).

B. Privatization of the social sphere (total; some fields; first a reform of the insurance system, etc.).

C. Guaranteed social services (whether needed, what kind, on what scale).

#### **Response From Polish Peasant Party (Ryszard Miazek)**

A. We make the treatment of a person as an individual the foundation of our social policy and we believe the creation of a guarantee of a minimum existence for all citizens to be the basic task in this field. In the elections program we talked about, and we now emphasize with all our strength, the need to reduce unemployment as much as possible is paramount. We are also in favor of having the unemployment benefits the same as the social minimum. The present system of benefits is a serious threat to the maintenance of public order.

B. The state cannot retreat from its duty to create financial and organizational conditions for the development of health protection and public welfare. We must institute a system of partial payment for use of the state health service, and commercialization of health services must go hand in hand with a reconstruction of the system of social insurances, which will provide, with the help of the state, the indispensable services and medicines for health protection and public benefits to all who need them.

C. We are against the degeneration in the social services caused during the period of the Polish People's Republic, as well as those which the market brings with it. The education system cannot be reformed at the expense of the weakest centers, located in the countryside. The state should not be society's only social caretaker. A long-range policy is needed in this area which will take advantage of different mechanisms and instruments, including the market ones.

#### **Response From Labor Solidarity (Ryszard Bugaj)**

A. Poland will not be able to solve the problem of unemployment exceeding three million people. Taking away benefits after a year, limiting the right to register for benefits, reducing the amount of the benefits, leads nowhere. It will increase the cost of public assistance and deepen the helplessness syndrome. Active countermeasures are required with the help of broadly conceived public works. Anyone who does not take the job offered him is not entitled to benefits.

B. Limited commercialization of some areas of society, particularly the health service, linked with financial compensation. And a categorical exception: education. A state which wants to develop economically and build democracy must provide access to education at a decent level, the broadest possible. Commercialization will not facilitate this, but will complicate it.

C. International comparisons showed that social services put the Polish People's Republic far ahead of European standards, both in relative terms as well as absolute terms. Now they need to be restructured, but not reduced.

#### **Response From Solidarity (Wojciech Arkuszewski)**

We always believed that the social policy is incorrect, that we need to turn greater attention to the adjustment of society to a market economy and to educating it about the market. And in particular on retraining our employees and training management cadres (indispensable to the functioning of enterprises on the market) and giving assistance in the creation of small enterprises and stimulating economic activity in small towns.

It is our belief that from the very beginning more attention should have been attached to training management staffs (managers, accountants, specialists in marketing and financial management, assistant directors, and middle-management leaders, as well as specialists in managing the budgetary sphere), because without people who know how to organize the work of others, new jobs cannot be created. Meanwhile, four million jobs will have to be created in Poland in the next few years.

Another problem of basic importance are the small towns. Many economic and social problems come into play there. In the small towns economic and social changes take place more slowly than in the large urban centers. The social tensions that appear are stronger and the political dissatisfaction is greater than in large cities, as all of the elections after 1989 have shown:

- In particular, there is a very drastic shortage of highly skilled cadres, which reduces the ability to make changes.
- Unemployment, as a rule, is greater than in large cities, and the labor rate and construction sites are cheaper there, thus new jobs can be created more easily, less expensively, and faster.

- There is a natural agricultural base which determines its production capacity and a place where people who leave farming can find work.

There is no program to stimulate economic activity in small towns and this has long been indispensable.

Privatization in the social sphere is repugnant to us. We are in favor of guaranteeing social services, but the scope of this guarantee can be determined only through public contract, and not by improvised changes and budget economies.

**Response From Party of Christian Democrats (Zdzislaw Bradel)**

A. Development of small and medium private enterprises is the most effective way of reducing unemployment. The government's actions in this regard must be rated negatively.

B. Health and retirement-pension insurance must be freed from state monopoly. In addition to a system of general and mandatory health insurance, additional voluntary insurances should be available. The insured person must have a guaranteed right to a constant review of the insurance reserves and the freedom to decide how they are to be used.

C. The state is responsible for solving the health problems of the entire society. But it should financially support experiments and innovative solutions in the health service. Each year the main social and political forces should negotiate a set of regulations which define the minimum benefits that year. The local community should play a larger part in managing education. The education of children and youth should take place where the involved persons choose: in a state school, a private school, or a denominational school. Schools not under the state should receive subsidies equal to the standard cost of schooling per one pupil in a public school. The state should continue to sponsor cultural events. This should be limited to protection of the natural culture and spreading universal values. It is also the duty of the state to provide institutions and cadres for the development of science and higher schooling.

**V. Foreign Cooperation**

A. The role of IMF and the World Bank (without their help, reform will be imperiled; their activities hurt our national interests; other opinions).

B. Incentives for export (those proposed in the draft budget are sufficient; definitely too weak; others).

C. Exchange rate and tariff policy (correct, incorrect).

**Response From Polish Peasant Party (Ryszard Miazek)**

A. We are in favor of cooperation with IMF and the World Bank. This may not and must not hurt our state interests. We believe that in this case a lot depends on the attitudes of the politicians, who, unfortunately, are

often more papist than the pope himself. Proof of this is the very critical assessment of the Polish road to reform, made by IMF. The situation is similar insofar as membership in EC is concerned. One of the clauses states that agreements can be suspended at any point if they conflict with the interests of the member state. What is important, therefore, is how to interpret these interests and how to defend them in the international arena. The entire idea and practice of EC is to expand national interests and find a field of common interests.

**B. [No answer given]**

C. The exchange rate policy must take into account the degree of inflation, which is higher than the indicator used in the so-called creeping devaluation of the zloty, and the rise in the steady indicator of the change in the rate. In tariff policy, the most important goal is the defense of our own profit against dishonest competition. There are positive changes here, but also many unexploited possibilities. The organized activities of smuggling groups is becoming a growing menace. To talk about a restrictive tariff policy when tariffs are at their present level is incomprehensible. Barrier tariffs are now 200-300 percent and were introduced in many countries on selected products.

**Response From Labor Solidarity (Ryszard Bugaj)**

A. Our interests are not identical with those of IMF, but through hard negotiations we must agree on a set of economic solutions. Calculate and negotiate the limits of concessions and allowances for foreign capital to the point, at which the country and not just the investor, has something to gain. And above all, let us guard against ridiculous contradictions: reductions of all kinds of restrictions on foreign capital or, as the KPN puts it, thumbing our noses at the IMF.

B. There are no incentives for export. The only instrument is a fluid exchange rate. It would be useful to have tax allowances for certain categories of investment, outlays for the development of some fields of science, a suitable treaty policy. This would give us an opportunity to specialize in export at a lower cost.

C. An exchange rate policy must be reactive, which does not mean that it must reflect the level of inflation. We need tariff protection absolutely at the limit of the ability which our agreement with EC and GATT allows. Poland, in the last three years, while the national income has fallen one quarter, is importing huge quantities, really ostentatious amounts, of luxury consumer goods. Reduction of this import will have favorable consequences not only on the currency exchange rate, but also on the effectiveness of investment import. But here too, as in every one of the issues raised, bringing the recession to a halt is of crucial importance.

**Response From Solidarity (Wojciech Arkuszewski)**

We support association with EC. We believe it is absolutely essential that Poland be provided effective foreign assistance in the present transformations, and especially

good cooperation with IMF and the World Bank. But we are aware of the serious economic and social dangers connected with the integration of Europe. We believe that thus far, the necessary preparations have not been made to reduce these dangers.

One thing can be said about exchange rate and tariff policy—it may differ, but it should be consistent and stable for a long time. Tariffs have changed too often and too greatly.

**From the author:** I would like to state that the format which was prescribed does not always make it possible to get down to the bottom of things. Poland is now confronted with three main difficulties, and we should concentrate all of our efforts on solving them:

- The weakness of the state institutions and their inability to cope with the problems facing the government. For example, the Ministry of Industry is organizationally incapable of conducting the active industrial policy about which the critics of the government are talking, or the policy which Henryka Bochniarz attempted to introduce.
- Pushing a large part of society below the poverty level, without any prospects, not able to find a place for themselves, without a job now and in the future.
- Lasting social conflicts, a society which is constantly dissatisfied, without effective mechanisms to solve conflicts.

**Response From Party of Christian Democrats (Zdzislaw Bradel)**

A. We are in favor of openness in the Polish economy because foreign investments are not only a transfer of capital and modern technologies, but also access to the extremely necessary Western methods and techniques of management, marketing, market behavior, etc. Stable and long-range principles of management must be applied and land must be purchased in order to make these investments. We are in favor of cooperation with international financial institutions, believing also that the success of Polish reform depends primarily on our activeness and ingenuity.

B. An active proexport policy is essential. The present one is inadequate.

C. We give a negative rating to the present tariff policy. We rate the exchange rate policy rather positively.

[21 Jun p 6]

[Text]

**I. Ownership Transformation**

A. Model of universal privatization (the president's, the government's, or other).

B. Reprivatization (on how large a scale?).

C. Place of state and employee ownership (eliminate entirely; maintain pluralism of ownership, or other solution).

**Response From Democratic Union (Jerzy Osiatynski)**

A. As a matter of fact at this time there is one plan for universal privatization. That is the government plan. The Democratic Union (UD) generally supports it, although with various reservations. We support it also because in the field of universal privatization time seems to be standing still, while universal privatization should be accomplished as quickly as possible.

B. For basic reasons we are in favor of reprivatization, although we believe it should be limited, both in time and substance. We will support the deputies' version of the reprivatization law, but with a clear limit on the time that claims which ensue from it will be investigated (the period for submitting applications should not exceed one year).

C. We are in favor of pluralism of ownership. Many state enterprises will remain state-owned for a long time yet, whether we like it or not. Others will remain (and rightly so) state-owned forever. This applies primarily to the economic infrastructure (railroads, electric power, gas pipelines, crude oil pipelines, etc.). We will simply not be able to sell some state enterprises. What is important is the efficiency of the enterprises, and not the form of their ownership. Therefore, we should strive primarily to improve the efficiency of the operation of both private as well state economic units. We must also remember that privatization, which results in an enormous distribution of stock, in no way creates sufficient pressure on the part of the owner to make the enterprise competitive. Many state enterprises, transformed into one-person state treasury companies, show no better financial returns than they did before the transformation, despite the change in the form of ownership. Therefore, a change in how the enterprises function is what is important; privatization alone will not do this.

At this time the best results are obtained through liquidation privatization, which consists of transferring ownership to the present management or management and workforce; it may also bring about the formation of self-managing enterprises. UD has no ideological or pragmatic reservations as to this type of privatization.

Nor do we believe that the entire economy should be based on employee stockholding. But in the rich palette of ownership structures which UD proposes, there is also a place for such enterprises. They should be established everywhere that such a form of ownership will guarantee an improvement in economic conditions. The approach of UD to ownership problems, therefore, is both pragmatic and flexible.

**Response From Alliance of the Democratic Left [SLD]  
(Marek Borowski)**

A. The president's model is unacceptable and we do not yet have the government's model. We are against giving anything away free. Privatization should be a form of drawing money away from those who have it and designating it for the struggle with the negative effects of privatization (unemployment) and for the restructuring of state enterprises.

B. The formula for reprivatization (covering only the decisions which were made in violation of the law) should be that compensation will be in capital certificates, and in-kind only when it applies to buildings and unused or undeveloped land.

C. Pluralism of ownership should be maintained. Naturally, the number of state enterprises will have to shrink greatly, but we support, as the principle way of privatizing small and medium state enterprises, their transfer to their workforces in a leasing arrangement.

**II. Financial Policy**

A. Budget deficit (upper limit five percent; higher, but under certain circumstances, etc.).

B. Additional emission of money (essential to revitalize the economy; inadmissible; other solutions).

C. Tax policy (solutions are going in the right direction; other solutions are needed, etc.).

**Response From Democratic Union (Jerzy Osiatynski)**

A. The size of the budget deficit, its 5-percent limit, is a fetish. I talked about this many times and have been able to convince my colleagues in this club on this. What is really important is that a certain definite limit be clearly fixed (in any case, it is close). It is important that this limit be fixed because it mirrors the position as to whether there will be a strict budget limit on expenditures of the government, local authorities, and above all, of the state enterprises, or whether there is no strict limit. Furthermore, in an economy of shortages, such as existed in Poland in 1989, attempts had to be made at any price to make prices realistic, including by reducing or eliminating budget subsidies and drastically reducing the deficit. Now, when manufacturing is not being fully utilized, and there is unemployment, we have to look at the problem of a budget deficit somewhat differently.... There is a great dispute on this between the post-Keynesian doctrine and the monetary doctrine. These types of disputes will not be settled in a political party or a parliamentary club. In UD as well, opinions on this are divided. Nevertheless, the position taken by the club can be described as follows: Without treating the limit of the budget deficit as a fetish, we want the budget to be strictly limited. A certain limit on expenditures, expressed in a fixed amount of budget deficit, is therefore, in our opinion, essential.

B. We believe that with such a large budget deficit, additional emission of money, beyond what is already provided in the budgetary law, is inadmissible. Increasing the deficit further would not revitalize the economy, rather it would result in a rise in inflation.

C. Everything should be done to pass a value-added tax (VAT) as quickly as possible. It disturbs us very much that this law may be still once more subjected to a long and arduous discussion in the Sejm commission. An income tax is a much worse instrument than VAT, because it distorts prices.

We are also in favor of not raising the top tax rate on enterprise profits and personal incomes (above 40 percent). The high top tax rate increases the tendency to cheat on taxes. Furthermore, in the Polish economy there are a great many family enterprises where the differentiation between profit and quasi-remuneration is arbitrary, and where a growth in the top tax rate may reduce the financial accumulation of these enterprises, thus making it difficult to create new jobs. Other tax matters include the still low collectibility of taxes and tariff fees. Recent reports on violations of tax and tariff rules by importers of fuels are very disturbing. We expect the government to take more energetic steps to improve the collectibility of taxes from all sectors, because this problem applies not just to the private sector.

If we are speaking about state enterprises, then the matter of the above-norm wage-growth tax [*popiwek*] appears. We believe that this is a form of taxation which has outlived its usefulness. But we are against any sudden discontinuance of all types of wage controls. In any case, the problem is becoming less urgent because the financial condition of state enterprises is so miserable that the degree to which they make use of wage norms is, on average, very low. Therefore, the need for an above-norm wage-growth tax is shrinking. A brake on inflation also diminishes the severity of this instrument.

**Response From Alliance of the Democratic Left (Marek Borowski)**

A. It may exceed five percent of the gross domestic product on a limited scale, especially if, as a result, the budget would designate money to stimulate investment and export, and support scientific research.

B. It is essential, because for all practical purposes, the assumptions of monetary-credit policy do not envisage a real growth in credits (all of the real growth is absorbed by the growth of enterprise debt due to capitalized interest). An additional Z10-15 thousand billion is needed, to be designated for investment credit for export (at a low interest rate), for implementation of government restructuring programs in industry, and for credits for the procurement of fertilizers in agriculture.

C. Tax allowances by virtue of proexport investments and in high-unemployment regions should be applied more widely. The obligatory dividend in state enterprises and the interest on capital in one-person state

treasury companies should be reduced. The top rate on personal income taxes should be raised, and at the same time, investment allowances should be introduced for this category of taxpayers. High consumption would be subject to higher taxes. Insofar as sales tax is concerned (we believe the growth of its importance to be proper), expensive imported consumer articles, which duplicate Polish production, should be taxed more heavily than heretofore (as was done with automobiles).

### III. The Role of the State in the Economy

A. Position on state enterprises (privatize all of them, protect the efficient ones, liquidate the weak ones, or other solutions).

B. Policy on agriculture (guaranteed prices, preferential credits and allowances; equal treatment of all sectors of the economy, etc.).

C. Concepts for solving the question of the indebtedness of state enterprises and the so-called payments in arrears (proposals go too far; are too timid and belated; the role of banks and the budget in this process).

#### Response From Democratic Union (Jerzy Osiatynski)

A. We believe that there is a place for state enterprises, just as there is a place for enterprises with mixed forms of ownership, municipal ownership, etc. We should privatize state enterprises but at the same time we should look for a formula by which to improve the efficiency of their management, e.g., by strengthening the attitudes of the managers at the enterprise level, better economic "rooting" of the managements of the enterprises, and improve the economic infrastructure around the enterprise (the banking system, chambers of commerce, etc.). However, in privatization the dispersal of ownership should be avoided and a professional investor should be sought who is really interested in the efficiency of a given economic organization.

B. Support for restructuring agriculture is written into UD's program. Guaranteed prices, preferential credits, and some allowances are among the standard instruments used in Europe. One problem in establishing the tasks of agricultural policy is that the desired parity of farmers' incomes in 1992 has not been determined (during three months of work on the budget we did not receive such information from the Ministry of Agriculture). Also, the Ministry of Agriculture did not present a clear restructuring program, which, in our opinion, makes it impossible to prepare an analysis of the advisability and efficacy of spending money on agriculture.

UD believes that basic restructuring changes must be made in agriculture. But we are not in favor of any one, universal model of agricultural economy in Poland, e.g., the farmer type. We do not believe that the "farmers from Marszalkowska St." [a main thoroughfare/promenade in Warsaw] should determine the shape of Polish agriculture, but about one thing there is no doubt:

Money for agriculture must be designated for its restructuring, and not to maintain the status quo. On the other hand, what is happening in agricultural policy at this time is aimed precisely at maintaining the status quo.

C. UD does not have its own, concrete program for reducing the debts of state enterprises and eliminating the bad debts of the bank. We believe that this matter should be solved in a way which will not create the expectation that cyclically, e.g., every six months, all enterprise debts will be reduced. Therefore, this cannot be an automatically repeatable measure applied to all enterprises in bad financial condition. Otherwise, any talk about strict budget limits in relation to enterprises would be just plain gibberish. Elimination of bad debts must be tied to a remedial program for enterprises, verified by the banks. Finally, and this too is important, this measure cannot entail an additional, unplanned emission of money.

#### Response From Alliance of Democratic Left (Marek Borowski)

A. Liquidate and privatize primarily weak enterprises. It would then be well if the decision to privatize were followed by capital, permitting the firm to modernize and increase its competitiveness. Eliminate the "Bermuda Triangle" in managing the state enterprises, not by eliminating the workers' councils, but by making it possible, under the law, to enter into managerial contracts between the director and the workers' council (for a period of a few years). Reductions in the *popiwiek* and the dividend would enter into this.

B. A separate policy is required. Credits are needed, with the lowest possible interest rate, for fertilizers, pesticides, and biological advancement. Price controls on means of farm production produced by monopolists are essential. The very low farm income parity makes it necessary to institute minimum prices on a limited scale. Support on the part of the state for farm export to the East is indispensable.

C. The government concept (agreement proceedings) is in practice very difficult and does augur success. Another path should be taken: in selected enterprises, exchange the overdue obligations for IOU's (so-called debt-reduction IOU's). If there are no overdue obligations in an enterprise which received an IOU, the IOU could be purchased by the bank. The National Bank of Poland and the budget should allot funds guaranteeing the commercial banks which purchase the IOU's, that in case of need they will recover the lost liquidity. In order to prevent holdups in payments it should be established, by law, that enterprises in which the relationship of overdue obligations to sales exceeds a specified indicator, will be subject to remedial proceedings under the direction of a board of commissioners.

### IV. Social Policy

A. Unemployment (actions being taken are optimal; definitely inadequate).

B. Privatization of the social sphere (total; some fields; first a reform of the insurance system, etc.).

C. Guaranteed social services (whether needed, what kind, on what scale)

**Response From Democratic Union (Jerzy Osiatynski)**

A. We all say that the present actions are too meager. The problem is that there is a lack of money for an active struggle with unemployment, for the creation of new jobs. Benefits are absorbing most of the money. In the work being done on the budget, at our initiative money for an active struggle with unemployment has been greatly increased, although this occurred at the cost of a growth of wages in the budgetary sphere.

B. First there should be a reform of the insurance system, then certain fields in the social sphere should be privatized. The reform of the insurance system, as proposed by UD, is a compromise between the fund concept and the present one, the generational. The main part of the insurance would be further based on generational maintenance payments. The Social Security System (ZUS) should be made a legal entity and it should be supplied part of the stock of the best of the privatized enterprises. The same applies to insurance for farmers.

Various categories of insurance would be established: health insurance, life insurance, unemployment insurance. It is important that the amount of insurance be tied to the size of the contributions and the duration of their payment by the person involved (Kuron began to work on this, and Boni continued the work). This is a very important matter.

C. Education and health care at the basic level. Elementary public assistance for those, who through no fault of their own, cannot cope (the disabled, the sick, single mothers, etc.).

**Response From Alliance of the Democratic Left (Marek Borowski)**

A. The actions being taken are absolutely too meager. Much greater financial incentives must be offered to investors who are creating jobs in high-unemployment districts. Restructuring programs in large state enterprises which are the main employer in small towns must be prepared and applied more speedily. Industrial policy has an important role to play, including protection of the domestic market against inordinate amounts of imports in certain sectors, thus preventing their downfall, which would create a large growth in unemployment. (This applies, e.g., to the textile industry.)

B. It cannot be done on a small scale, but the insurance system should be reformed. But it will be long lasting; therefore, the present forms cannot be liquidated until new ones are formed and consolidated.

C. Free education until high school is completed, and for the poorer people free higher education (for the others, at a small fee). Universal free health service on a basic

scale. For youth: low-cost access to physical culture and sightseeing travel. Financial preferences for economic organizations which arrange low-cost vacations.

**V. Foreign Cooperation**

A. The role of IMF and the World Bank (without their help, reform will be imperiled; their activities hurt our national interests; other opinions).

B. Incentives for export (those proposed in the draft budget are sufficient; definitely too weak; others).

C. Exchange rate and tariff policy (correct, incorrect).

**Response From Democratic Union (Jerzy Osiatynski)**

A. We do not believe that either the IMF or the World Bank are hostile to Poland or even unfriendly. Without the help of these organizations our reforms would be much more difficult. We must do everything to continue this cooperation on reasonable terms.

B. Incentives for export are too weak. But we can make use of the experience of Japan, Taiwan, Korea, or Northern Italy. The government is not taking advantage of this experience. The main export incentive provided by the government is a certain real depreciation of the exchange rate. But we must remember that exchange rate policy stimulates export if, after devaluation, it is possible to permanently reduce the ratio of prices to wages, (i.e., prices to costs). If this cannot be done, all devaluation measures are of little significance. That is why it is important to support export with the help of other tools: export guarantees, tax allowances, etc. The agreement to affiliate with EC does not allow all of these methods to be used. But there are also permissible instruments: export insurance organizations such as Hermes or Kofas, whose entry into Poland is taking an extremely long time. Another form is the financing of the participation of our own enterprises in international fairs, and helping them to apply new technologies.... There is no reason why we should not be able to do the same.

C. In the 1990's we made the mistake of reducing tariffs too far. This was done too hastily and many branches of industry which could still be functioning were destroyed unnecessarily. UD believes that the exchange rate and tariff policy should comply with a basic condition: It should be stable!

At the same time tariff policy cannot be overprotectionist to its own producer. Otherwise, the consumer pays for this not only in the short term, but in the long term also.

[28 Jun 92 p 6]

[Text]

**I. Ownership Transformation**

A. Model of universal privatization (the president's, the government's, or other).

**B. Reprivatization (on how large a scale?).**

C. Place of state and employee ownership (eliminate entirely; maintain pluralism of ownership, or other solution).

**Response From Liberal Democratic Congress (Janusz Lewandowski)**

A. The Liberal Democratic Congress (KLD) is in favor of energetically instituting the universal privatization program (prepared in June 1991) within the framework of a privatization policy which takes into consideration a multiplicity of ways and methods of operation. The universal privatization program has an operational form, has international credibility, combines a change in ownership with an opportunity to restructure large industry and, what is most important, gives citizens a real share of the ownership, and not pseudo money. We underscore the advisability of improving all of the present methods of privatization and searching for additional ways by which to hasten the transfer of property, in this case "unwanted" property, to private hands.

B. Reprivatization is far overdue and the time should be made up as quickly as possible. A solution to this problem should also hasten reform and privatization. That is why KLD deputies submitted last year's draft law on reprivatization, expressing themselves in favor of renewing the work at the point at which the preceding parliament interrupted it. The execution of obligations to those citizens who lost property after 1944 should cover those cases in which laws were broken. A decision as to the scope of the claims that are recognized must be based on an analysis of its effects on all society. In light of this, it will be impossible to award full damages or give consideration to those people who live outside the country permanently.

C. The Liberals repudiate the planning of a final structure of ownership in Poland. A market economy envisages a diversity of forms of ownership, including a place for the public sector in the field of infrastructure and defense. It is important that the proportions (predominance of private ownership) be reversed and that more efficient forms of management, both in the state sector and the municipal sector, be found.

**Response From Polish Economic Program (Tomasz Bankowski)**

A. We are in favor of universal privatization based on nonmonetary credit, i.e., credit that would not disturb the capital market now being established, which is the basis of a free market economy. Such a model of privatization is popularly called a "coupon privatization." The system of buying and selling securities—coupons—should stimulate a secondary market in them, without a guarantee of financial return for the universal privatization organizations, which will be subject to the economic results of privatized enterprises.

B. Many years have elapsed since nationalization. Therefore, we must be aware that in every consistent European law, in addition to the principle of respect for ownership, there is also the principle of acquiring rights of ownership through acquisitive prescription. We lean toward the president's position. We believe that we should primarily determine which assets can be the object of total or partial reprivatization and which we cannot and should not return, but should establish a method of compensation. Such a division would allow us to weigh the interests of the state and the interests of private owners.

C. The only reasonable form of state ownership is, we believe, one-person state treasury companies. Depending on need they can be transformed into other commercial organizations. But in the process of transformation, we must take public acceptance into account. A managerial contract should be tied to such an ownership form as a one-person state treasury company. Only then will we be able to talk about the efficient functioning of "nobody's" ownership.

**Response From Union for Real Politics**

A. Sell plants (all of them!) at auction. Thirty percent of the stock for the Retirement Fund (with no voting rights or limited voting rights at stockholder meetings), 25 percent for the Retirement Fund (as above), 20 percent for the workforce, 10 percent at large (by law, unfortunately), the remaining 15 percent at auction, of which one-tenth (1.5 percent of the total), in cash, the rest for mortgage credit; this controlling block could exercise its rights the very next day. No preferences in sales. Initially, of course, all enterprises would have to be legally transformed into state treasury stock companies.

B. Sixty percent of the value according to 1939 tax returns; the difference between the value of the return-in-kind and the calculated value to be paid out (or paid in) in stock from the Reprivatization Fund.

C. Eliminate completely. If, by law, employees receive 20 percent of the stock, it will be only as private persons, with the hope that they will resell these stocks.

**II. Financial Policy**

A. Budget deficit (upper limit 5 percent; higher, but under certain circumstances, etc.).

B. Additional emission of money (essential to revitalize the economy; inadmissible; other solutions).

C. Tax policy (solutions are going in the right direction; other solutions are needed, etc.).

**Response From Liberal Democratic Congress (Janusz Lewandowski)**

A. If the zloty is to be strengthened and the economy is to be stable, the budget deficit must be kept within the limits defined by the budgetary law. We do not look upon five percent as a fetish, but we regard it as a

boundary of safety. A deficit of this size will be enormously difficult to finance anyway. It will have an impact not only on the economy's credibility, but also on the construction of next year's—by prolonging the futures, it will facilitate an understanding of the importance of discipline.

B. One of the economic legends of our country is the "extremely restrictive money policy". We perceive the 1992 assumption (money growth exceeding, by several points, the rate of inflation) as a reasonable compromise between dogmatic monetarism and printing money which is not backed up with anything.

C. Poland is rebuilding its tax system, with consideration to EC standards. In combination with the budget crisis, this violates the principle of stability of taxes. That is why a reform of the system, which includes introduction of the value-added tax beginning in 1993, should be accomplished quickly, opening up a period of stable and intelligible tax rules as a premise for rational management. We are in favor of a gradual and conditional discontinuance of the above-norm wage-growth tax, incentives for important foreign investors, and strong tax incentives in particularly threatened regions (Walbrzych, Lodz).

#### **Response From Polish Economic Program (Tomasz Bankowski)**

A. Our position is that budget discipline should be maintained insofar as possible. But if it should become necessary, we will permit an amendment to the budgetary law. We do not regard an increase in the budget deficit to be a remedy for the recession.

B. We already have in the budget a six percent lead on the emission of money beyond the real state of inflation. Increasing this emission will not revitalize the economy. Lack of ability by enterprises to obtain turnover or investment credit is not the only factor which affects their functioning. Other factors play a larger role: correct sales organization, production efficiency, unit cost of product, and cost structure in the calculating system. We are in favor of increasing the supply of credits, but in proportion to the evaluations of the enterprises' remedial plans.

C. It is an expression of the budgetary area's immediate needs. The tax policy is the "short blanket" syndrome. Some radical changes are necessary here, particularly insofar as preference to small-scale enterprise is concerned. The excessive burdens (taxes, social security contributions), often make it impossible for someone to go into business on his own. Indirectly they help to expand the "gray area" of the economy.

#### **Response From Union for Real Politics**

A. A constitutional ban on a budget deficit.

B. Punishable, as for forgery or robbery with particular audacity.

C. Cancel all taxes. Introduce a tax on land area, value of real estate, and a per capita tax. Cancel parataxes (duties, etc.), keeping the dividend until the enterprise is state-owned.

### **III. Role of the State in the Economy**

A. Position on state enterprises (privatize all of them, protect the efficient ones, liquidate the weak ones, or other solutions).

B. Policy on agriculture (guaranteed prices, preferential credits and allowances; equal treatment of all sectors of the economy, etc.).

C. Concepts for solving the question of the indebtedness of state enterprises and the so-called payments in arrears (proposals go too far; are too timid and belated; the role of banks and the budget in this process).

#### **Response From Liberal Democratic Congress (Janusz Lewandowski)**

A. We should concern ourselves with improving the efficiency of the state enterprises, and not just with the pace of privatization. Commercialization of the larger enterprises is advisable and managerial contracts should be used more widely. We should also make a judgment as to new forms of management (holding companies and concerns) in the armaments, mining, metallurgy, and power industries. As market changes are being made, the state must be a participant and an organizer of economic transformation. Either it does this deliberately, making strategic choices, or it has to improvise under the pressure of strikes.

B. Farm policy must, on the one hand, include the long-range goal, which is modernization of agriculture and the countryside. On the other hand, consideration must be given to the starting conditions and obstacles which make it difficult to form a gradual and pragmatic policy, encompassing the actions that need to be taken to stabilize the farm products market (the task of the Agency for Agricultural Marketing).

Furthermore, this policy should also provide for preferential credits for farm modernization, procurement of breeding animals and sowing materials, and more rapid ownership changes in agriculture and its environs. Farm policy must also conform to the realities of the budget and to the logic of our associating ourselves with EC.

C. The problem of enterprise debts and delayed payments cannot be solved in a mechanical and global way. The liberals are in favor of a solution which combines opportunities for enterprises to become competitive with a reorganization of the banking system and the gradual liquidation of firms which cannot defend themselves in a free market. Such a plan was prepared in the Ministry of Finance in connection with work begun in 1991. We should start implementing it.

**Response From Polish Economic Program (Tomasz Bankowski)**

A. Protection of the efficient or liquidation of the weak state enterprises is not a subjective matter. If we omit the social effects, which are of enormous importance, then only a cost-effectiveness analysis determines how the economic organizations function. And as long as this analysis is undercut for reasons other than the principle of pure profit, we cannot expect that the efficiency of enterprises will improve.

B. We are in favor of equal treatment for all sectors of the economy. But we are aware of the historical determinants of our agriculture, in which approximate 40 percent of our population is employed. Therefore, in restructuring agriculture, social determinants must be taken into account, but funds designated for agriculture should not be used to preserve incompetent structures. They should be used to make changes in the structure of farms, and primarily for the development of the rural infrastructure, including farm-processing enterprises.

C. Insofar as enterprise debt is concerned, the subject of the state's actions should be the bank and not the enterprise. Bad bank credits should be restructured, reappraised, and again bought and sold on the secondary market. On the matter of debt we do not share the view that the struggle with the recession should be conducted with the help of a soft zloty, i.e., increasing its supply beyond the limits prescribed in the law on the budget.

**Response From Union for Real Politics**

A. Privatize all of them.

B. Treat all of them the same. Over a period of three years, gradually reduce the tariff protection to zero.

C. Universal clearing for all. Abolish taxes for enterprises (not just state!), refunding part of the taxes (in the future) to those who paid regularly.

**IV. Social Policy**

A. Unemployment (actions being taken are optimal; definitely inadequate).

B. Privatization of the social sphere (total; some fields; first a reform of the insurance system, etc.).

C. Guaranteed social services (whether needed, what kind, on what scale).

**Response From Liberal Democratic Congress (Janusz Lewandowski)**

A. It will not be possible to restructure the economy and also avoid unemployment. Only a consistent policy of assisting private entrepreneurship, cheap privatization, an inflow of foreign capital, and stable money, may really alleviate the unemployment problem and create a mobile, normal labor market in Poland. The indispensable social protection (benefits) must be enhanced with

active instruments to stimulate employee resourcefulness and create new jobs (labor fund, regional development agencies, etc.). Above all, we must prevent the formation of elements of mass unemployment, both regional as well as branch.

B. The goal is deep reform of the social sphere which, as a legacy from the Polish People's Republic, is completely dependent on the state budget, i.e., it is nationalized. Total privatization of this sphere is impossible and inadvisable. The priority appears to be the health service, where the state model should be reconstructed in the direction of a public health service model, based on different forms of ownership (state, private, cooperative, foundations, companies, etc.), and reform should begin still this year.

C. The feeling of social security is a condition for obtaining society's consent to continue the transformations being made. The areas, for which the government can assume the role of guarantor, ensuring the minimum satisfaction of collective and individual needs, must be clearly defined. It is the opinion of KLD that the area of state guarantees of social security should cover the material conditions (income from work and social security, public assistance, cost of living and obtaining housing), health protection, education and the labor sphere.

**Response From Polish Economic Program (Tomasz Bankowski)**

A. That is a necessary evil of a free-market economy. I am against fictional unemployment, maintaining a job at any price and supporting incompetent state enterprise. In many cases this problem can be solved with measures of a regional nature. The matter of public works should be treated cautiously because providing funds for a job often requires much greater outlays than those designated for benefits. We are in favor of having the benefit fixed at an appropriate, humanitarian level, but it should be such as to stimulate a search for work as quickly as possible.

B. We are decidedly in favor of not only the reform of the insurance system itself, but also the method of managing the insurance funds. The insurance system cannot be the same for everyone. There will be those who through their contributions to this system can take greater advantage of it, and those who, in contributing less, can expect to receive less.

C. The reformed insurance system will be linked to services in the area of health protection. It is also expected that a properly functioning economy will create funds that will be used for health protection, culture and education. This can be achieved by developing a system of foundations.

**Response From Union of Real Politics**

A. Cancel unemployment benefits. A drastic reduction in taxes will itself solve this problem.

B. Total. Insurance is not a social sphere but a department of the Lottery Monopoly (retirement is a gamble, with the winner being paid if he lives to the right age). The retirement-pension fund would be completely independent of the state after stock is given to it through a division of stock from bids between insurance companies, following the Chilean example. Insurance should not be compulsory.

C. None—done by the state. Leave this money to society, which will take care of social matters itself.

#### V. Foreign Cooperation

A. The role of the IMF and the World Bank (without their help, reform will be imperiled; their activities hurt our national interests; other opinions).

B. Incentives for export (those proposed in the draft budget are sufficient; definitely too weak; others).

C. Exchange rate and tariff policy (correct, incorrect).

#### Response From Liberal Democratic Congress (Janusz Lewandowski)

A. The economic reason for existence requires that Poland's credibility be restored. Agreements with the IMF and the World Bank, contacts with our creditors, association with EC, participation in GATT, development of economic relations with the United States, and the restoration of our position on the Eastern market—these are the elementary conditions for the success of Polish reforms. In all of these areas an offensive is needed, making up the time wasted in the first six months of 1992.

B. Assistance to export becomes an empty slogan if concrete instruments of proexport policy are not indicated. In our conditions, the real instruments are refunds of duties and taxes in export production, an exchange-rate policy, trade agreements with important partners (above all, the United States) and broad contacts with Russia, Ukraine, Byelorussia, and the Baltic states. Greater consideration for economic interests should be part of the doctrine and practical activities of the Polish Ministry of Foreign Affairs.

C. Stability and predictability of regulations is an elementary requirement of exchange rate and tariff policy. These requirements can be fulfilled after the indispensable reforms and changes begun in 1990 and 1991 are made and after a treaty on affiliation with EC is negotiated. The tariff rates introduced on 1 August 1991 should be regarded as maximum. This does not exclude the use of a whole arsenal of nontariff instruments to protect the domestic market against dishonest foreign competition (antidumping regulations, sanitary inspections, sealing of borders, etc.). A fluid currency exchange rate policy should take inflationary tendencies into account.

#### Response From Polish Economic Program (Tomasz Bankowski)

A. I know of no case in which countries that solidly cooperated with the IMF and the World Bank suffered any losses as a result. A kind of myth has taken hold in our country to the effect that the functioning of the economy has to be adapted to the requirements of these institutions. IMF and the World Bank only take note of the economic programs accepted by the state. By cooperating with these institutions we obtain concrete benefits, e.g., reduction of debt within the Paris and London club, and new lines of credit.

B. The proexport character of the economy is an attempt to impose a priority through a systems method. Certain tax reductions which are conducive to production for export have already been made. Also, the devaluation of the zlotys exchange rate in relation to foreign currency helps to raise interest in export. These actions must be carefully monitored and enhanced as necessary.

C. Tariff policy, to a certain degree, is becoming uniform in view of our agreement with EC. That is good, provided that we will be able to apply nontariff methods. Much remains to be done insofar as the organization of tariff services is concerned. The initiative, led by Z. Niemczycki, making it possible to import electronics by designating the border crossing in advance, appears to be sensible. These types of techniques should be used more widely so as to seal our borders and have receipts from tariffs flow into the state treasury. The exchange rate policy should not serve to soften the system of implementing the budgetary and tax obligations of entrepreneurs. However, in the struggle with the recession proexport activities should be given preference.

#### Response From Union of Real Politics

A. These are bureaucratic state institutions. Much of their advice is good because it comes from a more capitalistic area, but we must be very careful.

B. Neither.

C. Neither. The state should not conduct either economic policy or social policy.

[5 Jul p 7]

[Text]

#### I. Ownership Transformation

A. Model of universal privatization (the president's, the government's, or other.)

B. Reprivatization (on how large a scale?).

C. Place of state and employee ownership (eliminate entirely; maintain pluralism of ownership; or other solution).

**Response From Christian-National Union (Henryk Goryszewski)**

A. All Poles should participate in the privatization process. In view of that, it should be in the form of securities which would be available to everyone, regardless of whether they are working or are retired. These "privatization bonds" would be exchangeable for stock in privatized one-person state treasury companies. They should be put into circulation gradually over a 15-20 year period, so that their one-time issuance would not totally ruin—and for many years—the securities market.

B. We are opposed to total reprivatization because we do not like any of the extreme positions. Rather we are in favor of limited reprivatization, one which on the one hand would guarantee that the justified claims of former owners would be satisfied, and on the other hand, would not burden society with the costs of excessive claims. This should be a system which conforms with the principles of social justice.

C. We are in favor of maintaining pluralism of ownership. Traditional forms of ownership, such as different forms of companies and cooperatives, permit the coexistence of state ownership, employee ownership, private ownership, ownership by large capital, and small-scale ownership by families and individuals.

**Response From Confederation for an Independent Poland (Adam M. Sandauer)**

Ownership transformations should be a means for making the economy function more efficiently. Treating them as a supreme goal, and not a means, is the attitude of an intermediary, and not an owner. There should be a public discussion and agreement on the ultimate model of the structure of ownership in Poland. Now, at a time of deep recession, the national assets are being sold for a pittance. This arouses our opposition. Society, after 40 years of working and paying taxes, cannot find itself in the role of a cheap labor force in its own country.

A. We are opposed to the model of privatization presented by the Ministry of Ownership Transformations. It puts the management of the economy into the hands of unsupervised foreign management companies. Mass privatization could be conducted according the president's model, completed in more detail.

B. Reprivatization should be conducted in a very limited form, e.g., in the form of reprivatization certificates. Reprivatization in kind may be only in cases of documented evidence that the provisions of nationalization decrees were violated. In the case of residential houses or apartments, the privatization process (sale to the present tenants) should have precedence over reprivatization. Remedyng an injustice committed at one time should not be done in a way so as to commit an injustice now. Reprivatization certificates on a limited scale should also be issued to those who lost property in the former Soviet Union.

C. It seems that enterprises of strategic importance to the economy, e.g., railroads, telecommunication, raw-materials mines, should be under the control of the state (majority shares). The necessity of a public discussion on the subject of the ultimate form of ownership in the state after ownership transformations are conducted, should be underscored.

**II. Financial Policy**

- A. Budget deficit (upper limit five percent; higher, but under certain circumstances, etc.).
- B. Additional emission of money (essential to revitalize the economy; inadmissible; other solutions).
- C. Tax policy (solutions are going in the right direction; other solutions are needed, etc.).

**Response From Christian National Union (Henryk Goryszewski)**

A. We do not attach any special weight to a percentage limit on the budget deficit. It cannot threaten the return of a very high inflation. At the same time the essential funds must be in the budget, particularly to support, through a credit system, enterprises in all economic sectors and family endeavors, which have as their purpose investment and intensification of production. Credits for a structural rebuilding of the countryside are also needed.

B. Additional emission of money is superfluous at this time. We have enough banknotes. However, there is a shortage of credit money.

C. The tax policy is now being reformed and generally is going in the right direction. But those taxes which today actually make it impossible to undertake economic initiatives and impede the struggle with the recession should be eliminated as soon as possible. These are the *popiwiek* and the dividend. They should be replaced by allowances granted at the end of the taxation year. They should encourage exporters and investors to modernize production and create new jobs in fields that have been especially hard hit by the recession.

**Response From Confederation for an Independent Poland (Adam Sandauer)**

The struggle with inflation cannot be the supreme goal of state policy. It is an instrument employed to stabilize the economy and has the support of KPN only as a means for economic development. The drastic drop in the purchasing power of money on the market during 1990-91 makes it possible to finance the budget deficit through emission of money, without a distinct threat of a growth of inflation. If the deficit is financed by selling securities, the state treasury in the near future may find itself in danger of insolvency. After all, bonds must, at some time, be redeemed.

Inflation may be caused by many things. These include:

- Excess money supply (inflationary curve—this does not threaten us at this time).
- Too little money on the market (costly inflation—not enough money to service the economic processes which create the national income).
- Expensive credits.
- High taxation.
- Growth of unemployment (benefits must be paid out of taxes).
- Devaluation of the zloty.
- Many other reasons, even panic.

A. The budget deficit, regardless of stated desires, will be higher than five percent. It is important that its financing, through additional emission of money, be used for antirecessionary measures (e.g., credits much below the rate of inflation).

B. An additional emission of money is unavoidable if the economy is to be revitalized. It should be done under strict control so that strong impulses causing inflation do not appear.

C. Excessive fiscal stringency causes a steady expansion of the gray area of the economy. Instead of increasing the receipts of the state budget, it forces economic organizations to cheat (anyone who wants to proceed according to the law risks bankruptcy). Tax discrimination against state enterprises (above-norm wage-growth tax, dividend) inordinately limits the activities of this sector, creating a threat of the growth of unemployment.

### III. Role of the State in the Economy

A. Position on state enterprises (privatize all of them, protect the efficient ones, liquidate the weak ones, or other solutions).

B. Policy on agriculture (guaranteed prices, preferential credits and allowances; equal treatment of all sectors of the economy, etc.).

C. Concepts for solving the question of the indebtedness of state enterprises and the so-called payments in arrears (proposals go too far, are too timid and belated; the role of banks and the budget in this process).

### Response From Christian-National Union (Henryk Goryszewski)

A. We advocate a clear reduction of the state sector to the sizes that we see in Western Europe. Under state jurisdiction should remain primarily those enterprises that are of particular importance to the defense of the state and the stability of the economic system. All others should be privatized on "healthy terms." Nor should those be sold that are prospering the most, leaving those enterprises that have no chances of development. Furthermore, we believe that preferences in privatization should be given only to Polish economic units, and particularly to employees of privatized enterprises.

B. We do not attach particular weight to guaranteed prices. They are important for the stabilization of farm incomes over long-term periods, especially when fluctuations occur between years of good and bad harvests. This year guaranteed prices will probably not be needed at all as a means to prop up the profits of the farm economy, because low harvests are escalating crop procurement prices anyway. We attach much greater weight to preferential credits and allowances for farms that are enlarging their acreage, obtaining high crop yields, and conducting modern industrial farm production.

C. All of the present proposals of the National Bank of Poland and the Ministry of Finance are definitely too shallow and timid. They are ineffective in a situation where payments are held up in almost the entire sector of the socialized economy and have a negative effect on the private sector. Radical systems solutions are needed, therefore, and not arrangements that are good in single cases but not in a situation where payment holdups are a common event.

We believe that a special agency should be formed which would take over the bad debts. The execution of these debts should be suspended for a few or several years. This would give the enterprises an opportunity to regain their solvency and thus their ability to develop production. The period of suspension of payments and possible amortization terms should depend on the economic results obtained.

### Response From Confederation for an Independent Poland (Adam M. Sandauer)

A. The division of enterprises into better or worse according to their financial returns is a fiction under the present circumstances. As a result of payment delays, good enterprises became bankrupt. The state's assistance in the elimination of this problem is indispensable. The capital privatization now being conducted is being done without any concept. It should be determined through public discussion as to what should remain public and what should be privatized. The criteria should be intelligible so as not to leave officials a field for "under the table" maneuvers. The money obtained from privatization should be used to restructure state industry.

The circles connected with KPN will accept every model of ownership that has been publicly agreed upon. The most important matter now is establishing privatization criteria.

B. Agriculture is forced to compete with the subsidized agriculture of EC. In such a situation, applying guaranteed prices to farm products and special credits are not matters for discussion. Otherwise the collapse of our agriculture will cause a colossal growth of unemployment and the emigration of the population from the countryside to the cities.

C. The problem of the indebtedness of the enterprises, or payment holdups, should be solved at the same time as antirecessionary measures are put into effect. Otherwise the same problems will reappear. We can attempt to apply the method proposed by the Polish Peasant Party,

remembering, however, that in addition to the effects (enterprise debts), the causes (recession) should also be eliminated.

#### **IV. Social Policy**

- A. Unemployment (actions being taken are optimal; definitely inadequate).
- B. Privatization of the social sphere (total; some fields; first a reform of the insurance system, etc.).
- C. Guaranteed social services (whether needed, what kind, on what scale).

#### **Response From Christian-National Union (Henryk Goryszewski)**

A. The actions being taken are definitely insufficient in an antirecessionary program. Unemployment can be effectively checked in only one way, i.e., by creating new jobs. The unemployment safety net is badly constructed. In areas where there is unemployment entrepreneurs cannot find workers.

B. A reform of the insurance system is a priority issue. A system guaranteeing its solvency must be created. In talking about the privatization of the social sphere, it should not be forgotten that the Social Security Agency may be insolvent, but it will not declare bankruptcy because it is protected by the budget. The beneficiaries—pensioners and annuitants—will get what is due them. A privatized insurance system must also guarantee this.

C. Universal access to education and medical service should not be discontinued. The question which must be solved is how social services would function in an arrangement with the privatized sector of education and health service.

#### **Response From Confederation for an Independent Poland (Adam M. Sandauer)**

A. The actions now being taken to reduce unemployment are inadequate. On the one hand, the state budget will not be able to maintain benefits for three million people, and on the other hand, limiting their rights to obtain them leads directly to civil disorder. Low-paying jobs must be created (public works), but this too is only a partial solution to the problem. An antirecessionary policy must be conducted which will result in a growth in employment along with an improvement in the economy.

B. We are in favor of limited commercialization of the health service, while maintaining the basic benefits guaranteed by the state. In addition to a universal social security system, a system of voluntary health insurances should be introduced and publicized. With time, they will lighten the load of the public health service.

C. Two areas should be protected: health protection and education. The state should not give up its role of patron of culture and arts, but simply limit this role.

#### **V. Foreign Cooperation**

- A. The role of the IMF and the World Bank (without their help, reform will be imperiled; their activities hurt our national interests; other opinions).
- B. Incentives for export (those proposed in the draft budget are sufficient; definitely too weak; others).
- C. Exchange rate and tariff policy (correct, incorrect).

#### **Response From Christian-National Union (Henryk Goryszewski)**

A. It is difficult to assess the role of these organizations in an unequivocal way—favorably or unfavorably. We have to cooperate with them because without their help we will have enormous difficulty on the international financial market and in trade exchange. But we must cooperate with them in such a way as to effectively defend our own interests. We should be fully aware that the leaderships of these institutions have primarily their own interests in mind.

B. and C. Those proposed in the budget are inadequate. Fortunately, regardless of our state monetary policy, the dollar exchange rate remains high. Thanks to this, and somewhat spontaneously, export conditions in our economy have improved. The dollar is much more expensive than the assumption of monetary policy for this year envisaged. We must take advantage of this natural, high exchange rate of the dollar so as to move as quickly as possible to a fluid rate, fixed by the market. The upper limit of tariffs was fixed in the treaty on association with EC. In view of this, we must emphasize the efficiency of our tariff system. We should put a definite stop to a situation in which, it is estimated, half of the goods passes through our borders without going through customs control.

#### **Response From Confederation for an Independent Poland (Adam M. Sandauer)**

A. Poland has no choice but to cooperate as a partner with international financial organizations. It should be remembered that contrary to what society was led to believe, these are not philanthropic organizations and our interests are not always identical to those of the IMF or the World Bank.

The Polish government should represent the interests of the state in hard negotiations and not assume the role of implementor of the policies of international financial organizations towards Poland.

B. and C. The only effective incentive to stimulate export is a fluid currency exchange rate corresponding to the rate of inflation. A preliminary devaluation of the zloty, or initially a faster devaluation than inflation, appears to be essential.

Excessive fiscal stringency (tariff, also), applied to protect the domestic market, instead of a change in the currency exchange rate, caused an expansion of the gray

area of the economy. Dishonest importers are able to make much more money by cheating customs than through negotiations with foreign exporters. Lack of restrictions in the taking of cash out of the country (it only needs to be taken out of a bank), makes it very easy to evade customs duties. The transfer of money, even from private accounts, should be controlled by the state and be accompanied by bank documents.

Limits should be put on the amount of cash (not checks) taken out of the country—for example, up to US\$10,000 a year. Sacks full of cash carried across the border, without state control, was and is the reason for the many financial scandals and crimes involving customs violations.

#### IMF Role in Demise of Coal Mining Debated

92EP0565B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 Jul 92 p 1

[Article by Barbara Cieszewska: "Polish Mining: To Develop or To Restrict?"]

[Text] Diametrically opposed views on the topic of prospects for Polish mining were aired during a symposium organized in Katowice by the mining community, that is, the Main Institute of Mining and the Upper Silesian Economic Chamber. Aleksander Szpilewicz argued: "The thesis about the dynamic growth of demand for coal has not been borne out. Favorable economic trends in the countries of the European 'twelve' encouraged demand for coal for power plants, whereas the demand for coking coal and industrial and household fuel fell sharply. Therefore, let us not overplay reduced exports in 1991. Ruble-denominated deliveries from previous years to the former CEMA area were no more. Dollar-denominated exports could be three to five million tons higher, but no more. Even given the greatest possible effort of the mines, it would have been impossible to come up with more coal of the quality required by the standards. Instead of accusing the government of blocking profitable exports, it would be more honest to beat one's own breasts.... Also, let us stop arguing whether coal is the driving force or a break on inflation."

Aleksander Szpilewicz also quoted the following data: Last year, coal prices increased by 108.7 percent, those of electricity by 93.4 percent, those of metal products by 35.9 percent, and those of chemical products by 40 percent, and resolutely stated that "coal was and still is the driving force of inflation."

In turn, Professor Włodzimierz Sikora saw the following among the seven reasons for a crisis in Polish mining: artificial constraints on coal prices; unjustified restrictions on export; high tax loads and fees, among others, for protecting the natural environment and working the deposit; as well as the lack of a policy for managing surplus labor outside of the mines. In the opinion of Professor Sikora, these very factors brought about a drop in need for fuel by more than 31 million tons over the

last four years. The professor maintains that the technical condition of our mines is well behind world standards. However, he is also aware of phenomena which encourage optimism with regard to the future of mining. One of them is the fact that coal production increases continuously, and that worldwide projections of trade in coal envisage the growth from 390 million tons to 530 million tons by the year 2000, and in excess of 700 million tons in the year 2010. This offers an opportunity for Polish mining, provided, however, that "coal is produced at costs competitive with those throughout the world." In the opinion of Professor Sikora, this calls for changes in the organization of Polish mining and in its financing, as well as in the technical reconstruction of mines.

At present, average production per longwall in Poland is one-sixth of that in Australia, and one-eighth of that in the United States. To be sure, coal is mainly mined there by strip mining. However, this does not change the fact that considerable capital is needed in order to bridge this gap.

Gabriel Kraus, a one-time advisor to the Confederation for an Independent Poland [KPN], subsequently, to the Upper Silesian Chamber of Mining, and currently the chief expert of Solidarity 80, maintained: "In the economic changes in Poland, hard coal mining was assigned the role of dung, whose decay was to be a source of financing for the cost of restructuring and technical updating of the rest of the economy." In his opinion, a recession in mining has been induced by a restrictive policy of the government which complies with recommendations of the World Bank and the IMF. According to Gabriel Kraus, both these institutions strive to destroy Polish mining because they want to get rid of an inconvenient competitor. He also referred in his report to "the government concepts of closing down more than 50 mines and laying off between 70,000 and 300,000 miners." These data were published by KURIER ZACHODNI in Katowice. Andrzej Lipko, chief of the Ministry of Industry, referred to them as absurd before the Sejm Commission on Mining. Gabriel Kraus also argued that development opportunities for Polish mining, with an output on the order of 150 to 180 million tons, will be blocked by secret clauses of the European Treaty which is to be signed by the government.

In turn, Aleksander Szpilewicz said: "Let us stop abusing the government over playing a mafia-style game designed to destroy mining in collusion with the IMF. Costs are still growing; productivity is falling; hopeless mines leech off the healthy ones. It does not at all have to be that way. I consider a favorable scenario for Polish mining in 1995 to be realistic. Mining must be downsized in terms of tonnage and 'labor.' Yet, it may be so healthy from the economic standpoint as to stand up to the competition, hold its own in the European and domestic markets, and put a break on the spiraling costs of the energy supply."

**[Box, p I]**

According to data from the Ministry for Foreign Economic Cooperation, the exports of hard coal were as follows:

	1989	1990	1991	1992 (Plan)
	Million Tons			
Output	180.2	148.2	140.3	143.0
Exports	28.9	27.8	19.3	25.0

The 25.0 million tons statistic is merely an estimate. After all, it has turned out that exports are below those planned. This year, it was planned to export 34.0 million tons.

Until 1990, hard coal was exported exclusively by the Weglokoks Foreign Trade Agency; at present, there are about 40 exporters, mainly coal mines.

Hard coal is exported upon the receipt of an export permit. At the request of the minister of industry and commerce, coal exports were restricted to 6.5 million tons during the period between 1 January and 30 March of this year. The minister of industry and commerce suspended the issuance of permits to export coal when he found that exports made it impossible to meet the needs of the country. Since 1 April of this year, the Ministry of Foreign Economic Cooperation has been issuing permits to export without commodity restrictions, in keeping with requests by the interested parties, for deliveries to be made before 30 September 1992.

#### **Legal Expert Comments on Patent Law Amendments**

*92EP0555A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW Supplement) in Polish 3 Jul 92 p VIII*

[Interview with Prof. Andrzej Szajkowski, Polish Academy of Sciences, by Izabela Lewandowska; place and date not given: "To Meet the Challenge"]

[Excerpts] [Lewandowska] There are in the Sejm proposed amendments to the law on invention of 1972 and to the new laws on patent agents and the protection of the topography of integrated circuits. The rightness and advisability of some of the changes do not inspire any doubts, but it is said that some will be remarkably unprofitable for our economy. I have in mind here the lengthening of the time a patent lasts to 20 years and the extension of protection to pharmaceutical products, chemical compounds, and food products. Until now it has only applied to processing methods, not the final product. The Polish-American treaty of March 1990 on commercial and economic relations forced these changes. Do you share these views?

[Szajkowski] I believe that these changes are necessary. The situation today is paradoxical: citizens and companies of the U.S. are entitled to protection at a higher level than Polish subjects. The introduction of changes to

internal law means that Polish citizens and Polish companies (as well as all others entitled to patents from the countries belonging to the Paris Convention of 20 March 1883 on the protection of industrial property) will be able to enjoy the very same protection. The Paris Convention includes a prohibition against discrimination, but such a state exists right now in relation to the introduction of a higher level of protection for American citizens and companies. Furthermore the continued maintenance of this type of discrimination is impossible in connection with our intended association with the EC.

[Lewandowska] But what of our pharmaceutical industry, which will no longer be able to apply bypass technology? Will it be forced to buy licenses for the medicines it now produces?

[Szajkowski] We are facing accomplished facts. The treaty providing for special protection for entities associated with the U.S. elicits alarm in the European Patent Organization. In light of the Paris Convention, the only solution that permits the removal of this type of discrimination is the inclusion of the provisions contained in bilateral treaties in domestic legislation. We are also obliged to adapt our patent law to European standards in regard to the agreement on association with the EC, and this means it will be necessary to extend patent protection and subject pharmaceuticals and chemical and food products to it. In this situation one can say that the basic political decisions resulting from the March 1990 treaty and the agreement on association with the EC have already been made, and it is not the time to argue that these controversial changes will make life difficult for Polish industry. Rather one should think of how to help enterprises in those branches that must bear the burden of the obligations accepted by our country. It is a matter of help such as will help them to become more competitive and to manage in the market. Generally speaking, I believe that protective barriers favor stagnation and that, rather, conditions that compel competition should be created. Of course, in international law as a rule it is possible to establish transition periods that allow industry to adapt itself to new conditions.

[Lewandowska] Exactly. According to many people, these periods are definitely too short.

[Szajkowski] And it is hard to deny that. However, we face accomplished facts. Renegotiation is out of the question; consequently, there is nothing left but to adapt to what has already happened.

[Lewandowska] In the proposed amendment to the law on invention there are measures that may be discriminatory for Polish entities. I have in mind the regulation which before the law goes into effect will make it possible to temporarily gain the exclusive right to manufacture and sell food products and pharmaceutical and chemical compounds in our country. The fact of the matter is that this possibility is to apply only to "those authorized by patent in one of the countries belonging to the International Union for the Protection of Industrial Property."

[Szajkowski] Please note that the amendment is to come into effect three months after its proclamation. This means that the possibility you mentioned will exist for such a short time that this procedure will in practice not be applied or else it will have a completely negligible significance. [passage omitted]

[Lewandowska] Is the broadening of patent protection as proposed in the amendment really a condition of our country's obtaining access to high technology under the protection of the so-called COCOM?

[Szajkowski] There is a great deal of exaggeration in that statement. COCOM is an organization of developed states, with its headquarters in Paris, which controls technology transfer to communist and postcommunist states. Especially advanced technologies, as we know, for strategic reasons were not sold to them. Currently, the political situation has changed. The limits you mentioned were generally abolished with respect to Hungary, and from what I know, positive decisions are being made also in relation to our country. [passage omitted]

[Lewandowska] Please say a few words on the law on the topography of integrated circuits. In the Sejm, during the first reading, someone characterized it as having the same meaning as a statute on the protection of gold and diamond deposits.

[Szajkowski] I do not share such opinions. I believe that the topographies of integrated circuits should be legally protected and promoted, but I have doubts that this should be done in a separate statute. Rather it should be included explicitly in a general regime of legal protection of intellectual objects constituting technical solutions. Pharmaceutical and chemical compounds also have their specific characteristics, but after all no one is proposing to create a separate invention or patent law for them.

[Lewandowska] It is said that passing the packet of laws in question will mean nothing but burdens for us and does not give any advantage, that the only justification for it is the necessity of adapting our legislation to the provisions of the Polish-U.S. treaty.

[Szajkowski] I do not share these reservations. I also believe that fear of the dangers that will be brought about by introducing protection of intellectual objects that were not protected before is greatly exaggerated. Erecting protective barriers is always burdensome for producers, as is, for example, the abolition of customs limits that refuse certain entities access. But is not today's economic crisis perhaps the result of the fact that there was an attempt to artificially protect our companies from economic reality? Do not their current difficulties in standing up to competition and finally adapting to normal conditions that exist in a global market economy have their roots precisely in this? After all, it cannot be said that there exists some sort of conspiracy against Polish enterprises.

[Lewandowska] But is it not true that treaties that states such as Italy, Austria, Spain, and Greece have concluded

with the most developed countries were significantly more moderate than the Polish-U.S. treaty, which compels the introduction into Polish law of a very high level of protection for intellectual property, which is advantageous for our partners and onerous for Polish companies?

[Szajkowski] It may be said generally that the agreements mentioned were more liberal and provided for longer transition periods. The treaties of the last two years, including those concluded with Bulgaria and Czechoslovakia, are on the whole considerably harsher. For example, the transition periods preceding the extension of protection to pharmaceuticals and chemical compounds previously lasted many years. This made possible the smooth adaptation of domestic industry to new, more difficult conditions. The transition periods lasted five, seven years; whereas Poland has, in effect, one and a half years for that.

[Lewandowska] Was it not possible to negotiate more favorable conditions in the treaty?

[Szajkowski] It is difficult to say. In any case, it no longer makes sense to expand on that topic. The Polish-U.S. treaty and the treaty on association with the EC should be evaluated in their entirety, and it should be perceived that they are generally favorable to us. We pay where the level of protection for intellectual property is concerned, but we also have gained a fair amount. For example, a portion of Poland's debts were forgiven. It is true that the level of protection for intellectual property in the countries of Central and Eastern Europe was considerably lower than in the West. With the tremendously widespread piracy and so-called slavish imitation of some products and with piracy treated as the appropriation of someone else's property, the tendency to raise the level of protection is understandable. Probably, had there not been so many violations of intellectual property rights, we would have had a chance to negotiate more favorable conditions.

[Lewandowska] Did these violations really have such large dimensions and in what areas?

[Szajkowski] Particularly in the area of computer programs and production in the field of video and recording technology.

[Lewandowska] But this does not effect the creators.

[Szajkowski] That is true. Except, of course, for pharmaceuticals and chemical compounds. But as a result of the mentioned violations, Poland is often regarded in the West as a country in which intellectual property is not respected. [passage omitted]

Although the conditions compelled by the treaty with the U.S. are very hard, I am deeply convinced that the sooner our economy is compelled to meet the challenge resulting from this, the better. As with a trip to the dentist, the quicker one goes, the less it will hurt. There is no use looking for further illusions or transition

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periods or relying on special considerations. An attempt to meet the challenge facing us should be made as soon as possible.

[Lewandowska] But the price that will have to be paid, especially by the pharmaceutical industry, may be impossible to bear.

[Szajkowski] I admit that this is an exceptionally difficult problem.

[Lewandowska] In that regard, should not negotiation with the owners of patents on medicinal products be

started today? Perhaps there will be success in establishing conditions of purchase that will not be ruinous for our industry. For example, we may be able to get reduced rates for licensing fees on condition that certain drugs will be sold only on the Polish market.

[Szajkowski] That is an idea, I believe, worthy of general application and propagation. After all, the statutory regulation does not bar the way to agreeing on other conditions of exploiting the license for the needs of the country and agreeing on still others, for example, for export. In any case, it is a waste of time to cry and to ponder alleged wrongs.

**Key Points of Democratic Convention Platform**

92P20377A Bucharest ROMANIA LIBERA  
in Romanian 5 Aug 92 pp 1, 3

[Unattributed article: "The Romania We Want—The Message of the Democratic Convention of Romania"]

[Text] Romanian society is in a full moral, economic, and political crisis. The regime which is at the helm of the country, consisting, for the most part, of structures from the old communist regime and tributary of the same mindsets, has committed serious errors which have led to the disastrous situation in which Romania finds itself at the present time and to the loss of all credibility in the international sphere.

The Democratic Convention of Romania [CDR] calls upon you to vote for change. We must end the suffering of this people, before it is too late!

The CDR wants to and is able to stop the present decline!

Romanians must regain their confidence in themselves and in their power to change their lives!

**1. The Guarantee of Change Is the Assurance of the Supremacy of the Law and the Renewal of the Institutions of the State**

The victory of the CDR will lead to the establishment of the law-governed state, in which the legislative, executive, and judicial powers will be separated.

We want a parliament that is the result of free elections, which has a stable majority that will support a dynamic and efficient government.

We want a president with a moderating and balancing role.

We will maintain schools and culture legislatively and materially, saving them from the degradation that currently threatens them, and helping them to regain their natural place in the framework of Romanian and European spirituality.

By integrating its dignity and authority, the church will play a principal role in national reconciliation and in the access of the new generations to Christian traditions and values.

As the defender of sovereignty, independence, and territorial integrity of the country, the army should be organized on the basis of professional principles as an elite institution, subject to civil authority.

In order to combat violence and corruption, public order and state security will be assured by institutions acting only within the limits of the law and with the respect due a human being.

Local administration will be decentralized and reorganized territorially to insure the adequate management of

all administrative units in accordance with historic traditions, geographic characteristics, and the requirements for their economic and social development.

The counties eliminated during the time of the dictatorship will be reestablished and normal status will be restored to those localities that were merged into other localities.

**2. We Want the Life of the Citizens To Be Central in the Reconstruction of Society**

The CDR supports the development of a civil society that unites all forms of social life independent of the state.

Consisting of free and responsible citizens, civil society is the guarantee of the exercise of individual and collective freedoms.

Therefore, the law-governed state becomes a means for the protection of civil society and, through it, a defender of the citizen.

The state, the politicians, and the administration must be servants of the citizens and not their masters.

Equal opportunity is a moral attribute of society. Each person should have the opportunity to use his talents and abilities.

The market economy must not be confused with the reign of egoism and competition with lack of scruples.

Fundamental virtues of humanism and religious faith, such as tolerance, solidarity, love of neighbor, and respect for the human being, play an essential role in overcoming divisions and restoring social cohesion.

**3. We Want a Stable and Prosperous Economy That Will Ensure a Decent Standard of Living for Each Person**

The present situation is intolerable!

The country lacks the most basic consumer goods. There are numerous inactive production capacities and hundreds of thousands of skilled workers who are idle because of lack of work while the spectre of unemployment is becoming more and more threatening.

The market economy is the only one which is capable of utilizing the material and financial resources and the capabilities of society.

The CDR believes that the launching of real economic reform is possible only after a national dialogue, carried on by the government, bosses, trade unions, banks and political parties in regard to the timetable, pace, and social costs of reform.

This dialogue should lead to a social contract based on the responses and the participation of the entire society.

The CDR will ensure:

- The guaranteeing of private property. Property owners will exercise all their rights, without any limitation on the use and disposition of their property.
- The restructuring of ownership by the judicious privatization of state property and by promoting private ownership, by supporting small and medium-sized production and services enterprises.
- A financial policy which will lead to the recovery of the system of circulating money and to economic recovery.
- A financial policy which will encourage indigenous investments and the productive potential of the economy.
- The creation of indigenous capital and increased potential for competition among banks.
- The opening of domestic markets to foreign capital.
- The establishment and operation of a stock market.

The CDR believes that the participation and integration of the Romanian economy in the international economic circuit represents the only way to emerge from poverty and crisis.

In this sense, the legislative framework will be adopted to attract foreign capital and investors, which will ensure modernization, retooling, creation of jobs, and penetration of third markets.

Social protection does not refer only to the unemployed but also to every disadvantaged citizen and it means an opportunity to work for all sons of the country.

The CDR regards agriculture as one of the urgent solutions for emerging from the crisis in the standard of living.

The restructuring of agriculture by the promotion of a policy of support for peasant farms is the essence of the economic reform in agriculture.

The land should belong to the peasants and it should take the form of private property, by the gradual limitation of state property to what is strictly necessary.

All the injustices contained in the land law or those resulting from its abusive application should be corrected without delay.

The land is sanctified by work; it should not remain fallow!

The peasant farms will be supported by inexpensive credits suitable tools, nonpolluting fertilizers and herbicides, and the organization of the agricultural market.

Units for the mechanization of agriculture will be reorganized and privatized; they will carry out all work executed with special equipment as well as repair services.

Pensions correlated with the general pension system will be given to the members of the former agricultural production cooperatives.

#### 4. We Want Romania To Return to Its National and European Destiny

The Romanian nation has had and still has a European role, in a form which still remains unstable and dangerous. It must cultivate its calling as a partner and mediator and the opening to dialogue and cooperation.

The independence and moral force of Romania must be put in the service of noble causes: national reconciliation, territorial reintegration, participation with full rights in the process of European integration and reaffirmation of the country as a factor of balance in the region of southeastern Europe and the Black Sea.

The territorial reintegration of Romania must be treated in the framework created by the Final Act of the Helsinki Conference on Security and Cooperation in Europe and the Paris Charter, in the direction of the elimination of the consequences of the Ribbentrop-Molotov Pact. No change of borders can be imposed by violence but only as a result of negotiations and agreements between the states involved.

The CDR also believes that Romania should have favored relations with the Republic of Moldova, in the spirit of the national ideal of reintegration.

It is in our national interest to create a climate of social peace, based on the guaranteeing of all human rights and freedoms. Combating extremism in every form, the CDR is in favor of the respecting of the rights of all ethnic, religious, or political minorities.

National reconciliation should be achieved in the spirit of justice and truth and also in the spirit of Christian forgiveness and tolerance.

This does not absolve from guilt and consequences those who are truly responsible for the sufferings endured by the Romanian people during the time of the communist dictatorship.

The CDR rejects every form of blame or mass charges of guilt against millions of members of the former communist party, who are called upon to contribute, to the extent of their preparation and capabilities, to the moral, economic, and social reconstruction of Romania.

A powerful state, a prosperous society, a united people, a generous nation, a reintegrated country—this is the Romania we want!

THE DEMOCRATIC CONVENTION OF ROMANIA,  
Bucharest, July 1992

**PNT-cd Official Discusses Campaign Themes**

*92BA1291A Bucharest DREPTATEA in Romanian  
30 Jul 92 pp 1, 3*

[Interview with Ion Diaconescu, first deputy chairman of the National Peasant Party, by Adrian Patrusca; place and date not given: "A United Opposition Is the Only Force Capable of Bringing About Change"]

[Text] [DREPTATEA] What will be the main idea to which the Democratic Convention [CD] will anchor its electoral campaign?

[Diaconescu] The fall elections are of a special importance from our viewpoint. They must lead to complete change in Romania's political life. Of course, change did come with the December revolution. The Ceausescu regime was toppled and certain democratic mechanisms were set in motion, but it failed to bring the new spirit we wished for. That was because the old structures of the communist regime seized almost all the power, merely hanging on a new facade. But they continued to be slaves to the same mentalities shaped during decades of communist domination.

The elections must bring about necessary change. The CD, party of the united opposition, composed of the most democratic political forces in Romania, must be elected to the country's leadership.

Consequently, the main idea on which the CD will center its electoral campaign will be the idea of change and rejuvenation.

[DREPTATEA] Why is there such a great need for change in our country?

[Diaconescu] Both the Romanian and the international public do not view the present regime in Romania as a credible regime. It is not perceived as a break with the past. On the contrary, it is viewed as a continuation of the old regime. Unfortunately, this lack of credibility has repercussions on everyday life, too.

In order to achieve real change in every walk of life, we need support, and we need investments and credits from the West. After the revolution, no country in the world received more sympathy, but we have been steadily losing credibility ever since. I think I'm not wrong in saying that we are now in last place in Europe from that viewpoint. Look around at the support extended to our former comrades in the communist camp, and compare it to what is happening in our case and in our country.

We believe that, by winning the election, the democratic opposition is the only group capable of remedying this situation and bringing about change. We must get out of the current political crisis, give our country a new image, and demonstrate that we are indeed on the path of real democracy (not original democracy!).

Change must be achieved first of all at the political level; changes in other areas will come of themselves.

[DREPTATEA] Speaking of change, what and how much has changed in the Romanian people's mentality since the previous elections?

[Diaconescu] The local elections have shown that the process of healing our political life is underway. It was more noticeable in big cities, where the public was better informed about the realities around it. In rural areas, where information either does not penetrate or arrives distorted (usually only by means of the television), progress is more laborious.

That is why I think that the democratic opposition will win a majority in Parliament in these elections, but a relative majority. So it will have to expand the political spectrum and reach out to other parties (to the right or left of it) in order to form a government coalition.

[DREPTATEA] What parties might these be?

[Diaconescu] It is difficult to say now. First we will have to see the results of the elections. But I can tell you which ones we will certainly not consider: extreme-right and extreme-left parties, which are very closely related in our country. One may even say that they branched out from a common stem, namely communism. It is easy to see that all these extremist parties are led by former Ceausescu competitors.

Evidently, we cannot consider them for a postelectoral alliance. Once again, however, first we must wait for the results of the election.

[DREPTATEA] I would not like to end our talk without broaching the currently "hot" subject in our press: the liberals' invitation to His Majesty to run for the presidency.

[Diaconescu] The liberals' proposal is not a new idea. About one or two months ago the CD also discussed this possibility. At the time we had to explain to our friends that the idea was not viable and that His Majesty represented an institution, not a person. Both His Majesty and ourselves view the abdication at the end of 1947 as having occurred under duress and as being legally void. So how can we now, after repeatedly asserting his legitimate claim to the throne, come and suggest that the king should run for president? That would mean that he recognizes the legitimacy of the abdication, the present Constitution, and the fact that the country became a republic by popular demand. That would bring under question the entire meaning of the struggle of those who, whether monarchists or republicans, support the law-governed order. It would be like recognizing the legitimacy of the present form of government, imposed by force of tanks.

We want the Romanian people to decide on the form of government, but only in normal conditions, once the people are well informed and free to express themselves. Only then will a decision taken by referendum truly reflect the wishes of the people.

Consequently, the liberals' suggestion does not make sense. There is only one explanation for it: Those who made it were not concerned with either rescuing the crown or doing anything for the king, but with hurting the CD—most of the CD is in favor of the monarchy, but was forced to nominate a presidential candidate in view of the current system—and to secure some breathing space for the PNL [National Liberal Party]. The PNL has been losing a lot of its popularity lately and it needed to latch on to such a solution.

That would not smooth the king's way to the throne, but it would bring the PNL a few votes. That was what Mr. Campeanu was aiming at by that proposal: a few more votes, even at the expense of the crown.

### Romania Mare Party Head Holds News Conference

AU1508190292 Bucharest ADEVARUL in Romanian  
8-9 Aug 92 p 3

[Article by Ion M. Ionita: "C.V. Tudor Finishes Off U.S. President"]

[Text] Yesterday, at the headquarters of the Romania Mare Party [PRM], which was guarded by policemen, party president Corneliu Vadim Tudor and some of his close associates, among them Mr. Radu Theodoru and Chamber of Deputies member Dan Popovici, briefed the press about the views of that political grouping concerning current political issues.

The character of three of the presidential candidates, along with that of the former sovereign King Mihai I, were briefly described by Corneliu Vadim Tudor. According to him, Ion Iliescu is an honorable Romanian. People are afraid of the unknown, and that is why Iliescu is preferred, in spite of the fact that he is doing nothing, but that is still better than doing evil. It is true that the president should get involved more in current Romanian events, but whenever he tries to do something he is obstructed anyway.

Cluj mayor and Romanian National Unity Party [PUNR] presidential candidate Gheorghe Funar is very much appreciated by Corneliu Vadim Tudor for all the things he has undertaken in Cluj, but he might overestimate himself. He might be able to lead a county or a district, but not a country, where complex problems have to be solved. He is too young for the presidency.

Democratic Convention presidential candidate and geology professor Emil Constantinescu is a poor little doctor studying stones, a political opportunist. The reason that this geology expert, who is supported from

abroad, was proposed for the presidency is precisely to guide foreigners toward the oil rigs and other natural resources Romania possesses. Mr. Vadim [as published] assesses that Romania has more oil than Kuwait, as the latter is already running out of that resource. Mr. Emil Constantinescu has the mission, in case he becomes president, to open the treasury of the country, in which case Romania will go to the devil.

The former sovereign King Mihai I is a harmful personality, a handicapped old man, a typical illustration of genetic degeneration in grand families. He has no business coming to Romania, not even as a tourist.

Speaking about elections, Corneliu Vadim Tudor assessed that, considering the enthusiasm with which Mr. Iliescu was recently received at Marasesti, the current president will win another term in office. No doubt about that. In parliamentary elections, the national bloc, consisting of PRM, the PUNR, and the Democratic National Salvation Front [FDSN] will win 80 percent of the seats, in case votes are not going to be stolen again. A pity that the PUNR, due to the vanity of some of its representatives, has not gotten closer to the PRM, although local level cooperation is functioning very well. The fighting at the top of PUNR is disgusting, but PUNR leader Ceontea could be replaced and the time for the national parties to join forces is not over yet.

The government has made two serious mistakes regarding national issues. It gave in to the blackmail of the Democratic Union of Hungarians in Romania [UDMR], which is a terrorist organization, concerning the Harghita and Covasna County prefects and reduced the military forces guarding the Otopeni international airport, after being put under pressure by a representative of the World Bank. Mr. Corneliu Vadim Tudor has seen with his own eyes documents proving the latter facts. Mr. Radu Theodoru termed the reduction of the number of the Otopeni airport guards a crime against the Romanian people, linking that fact to an alleged attempt to force the return to the country of the former sovereign, which would mean civil war. The PRM has also vehemently protested promonarchist programs broadcast by television.

Concerning foreign policy, the assertion was made that Hungary, Austria, and Russia wish to federalize Romania. The United States is run by a bloodthirsty agent.

Returning to the subject of home policy, the PRM notes that political aggression is on the rise. They have received a large number of menacing letters, even threatening death, so that they had to resort to paid police protection.

**Foreign Minister Rupel on Refugee Crisis, B-H**  
**92BA1310A Ljubljana DELO in Slovene 1 Aug 92 p 21**

[Interview with Slovene Foreign Minister Dimitrij Rupel by Janko Lorenci on 30 July; place not given: "If One More Enclave Falls..."]

[Text] *The Slovene foreign minister on the refugee problem, events in Bosnia, the West's attitude toward the Yugoslav question...*

[Lorenci] The Geneva conference on refugees, in which you also participated, did not achieve a breakthrough, at least not in the sense that Western Europe would open up more to refugees or allocated substantially more money for them.

[Rupel] Well, with respect to money the conference, in my opinion, contributed a lot to having the rich gentlemen from the West untie their purse strings. At any rate, I have the feeling that they would rather pay money, no matter how much it is, than accept the refugees in their own countries, since this would mean a political problem for them. But the willingness for this has increased to some extent.

[Lorenci] Will the Netherlands really accept those refugees from Obrezie, or was it only our excuse, with which we downplayed the fact that we had given in to pressure at the border?

[Rupel] These people are leaving tomorrow (author's note—the interview with Rupel was on Thursday afternoon). It has been agreed. I hope that you believe your foreign minister if he says something for the public. Consequently, there is now somewhat more sympathy for the refugee problem in Europe; it is just that the methods are still very different. The Italians, for instance, explained to us yesterday that they would especially equip several locations with refugees here. If the wave of refugees continues, what we are all doing together naturally will not be enough. I think the principal achievement in Geneva is that there was fairly broad agreement on the proposal for secure zones; but the fact that we invented that brilliant idea is not enough for them to go into effect....

[Lorenci] Is it a Slovene idea?

[Rupel] It is mainly a Slovene idea, combined with an Austrian one. The Austrians first proposed that it would be necessary to defend Sarajevo and create a humanitarian corridor. Then when we looked at a map in our defense council, we saw that actually only two enclaves of the Muslim population still existed in Bosnia, and that is how we arrived at that concept. In Geneva, we proposed four such zones. Consequently, everyone agrees with the idea, but the difficulty will be how to protect those areas.

[Lorenci] Does the other side, Serbia, also agree with the concept?

[Rupel] No one spoke with the Serbs. They are not a partner in these talks, fortunately—or unfortunately, I do not know.

[Lorenci] Did you feel things out at all?

[Rupel] I do not have any contacts with the Serbs; as you know, Panic has sought contacts with Drnovsek and Kucan, but so far we have responded negatively to those initiatives.

[Lorenci] We can probably assume that the Serbs would be prepared to accept such an agreement, since they have already achieved their principal goals in Bosnia and now reaching an agreement generally suits them.

[Rupel] At this point I am not thinking so high and deep and in global scenarios. It is a question of having those people there, who are still at home, stay home. That is 600,000 people. If they are spread across Europe, it will be a catastrophe; and when winter comes, it will be a European catastrophe. The Europeans are also aware of this, and that is why I think that these proposals are acceptable. The Serbian strategy is to occupy as much territory as possible. If everything were to be the way they want, they would rather continue exerting pressure, slowly drive out all those people, and send them to the West. We would thus have to deal with a Bosnia composed of two ethnically pure areas—Croatian and Serbia—and then the story would be over. Our idea is also associated with support for Bosnian statehood. I think that it would be extremely unintelligent to yield on this point. Since all of Europe has made an investment in preserving Bosnian statehood, I think that the proposal on secure zones has some possibilities. The question is only whether it will be possible to prepare the Security Council to organize a group of around 40,000 soldiers to protect those areas.

[Lorenci] The West would probably have already reconciled itself to the brutal Serbian conquests and the partition of Bosnia between the Serbs and Croats, if the refugee problem had not erupted now with such force; the refugees, primarily because of their influence on public opinion in different European states, are becoming an internal political problem for them. The Serbs are thus, through the refugee problem, nevertheless feeling the consequences of their barbarism.

[Rupel] I can only agree with this. At the moment that only two ethnically pure areas still exist in Bosnia, we will have lost it, and then God help all of us together.

[Lorenci] Was your recent statement about Croatia's controversial role in Bosnia also intended along those lines? It was not just a small warning to Zagreb?

[Rupel] I have unnecessarily become a subject of controversy in this regard. Tudjman himself has admitted that 4,000 Croats died in the war for Croatia, and about 6,000 in the battles for Bosnia—i.e., there is no doubt about the Croats' intervention in Bosnia. The information from the office of the High Commissioner for

Refugees that there are also 377,000 refugees from Bosnia in Serbia is also eloquent in and of itself. People are consequently fleeing in all directions, and the area of Bosnia-Hercegovina is being reshaped. In this respect I can only be a good European and an advocate of the policy of the EC, which has confirmed the statehood of Bosnia-Hercegovina.

[Lorenci] There is one more strong reason that ought to act against Western Europe's reconciling itself to the expulsion of the Muslims, the partition of Bosnia, etc. Bosnia can be an extremely dangerous precedent for ethnic cleansing to become a general pattern of conduct. A considerable part of the former East Europe and Soviet Union is itself a gigantic potential Bosnia. If this pattern of ethnic cleansing is now allowed here without being punished, it will be easier for it to be repeated elsewhere. Then who will stop that wave of refugees, reaching up to the sky? It is consequently a vital interest for Europe to do something now. Does this awareness exist in Europeans' heads?

[Rupel] This awareness has not yet been finally instilled, but it is growing stronger. It was obviously necessary for refugees to knock on the doors of clean, safe, and polished European homes in order for Europe to become aware of this problem. The situation in many places in the former Soviet Union really is explosive and comparable to Bosnia. It is clearly a dangerous precedent that has to be treated with full seriousness, and we can only hope that intervention by the UN or Europe will be quick enough. Now preparations are being made, quite hurriedly, for the London conference, which will not be so much a conference on Yugoslavia as a conference on Bosnia. There are still several conceptual difficulties with it. It is not supposed to be a conference on Yugoslavia as such, and instead, to us, it can only be a conference on those states of the former Yugoslavia that are problematic. The neighboring states will be invited to London, i.e., Slovenia, Austria, Italy, Hungary.... In short, we are coming to the conference in a certain role that is very interesting in foreign policy terms. I hope that we will be successful.

[Lorenci] The Bosnian refugees—bag people, as they are being called, with an allusion to the boat people from southern Asia—are essentially even worse off than Palestinians, for instance; they literally lack ground under their feet, and they cannot settle anywhere. The Palestinians have partly stayed on their land, and have partly been able to emigrate to other Arab states; the Bosnian refugees do not have anywhere to go, but there are even more of them, as you are saying yourself.

[Rupel] If one more of the two Muslim enclaves falls, a new wave of several hundred thousand people will be driven out of Bosnia.

[Lorenci] Will Western Europe accept, for instance, 300,000 of them? The latest SPIEGEL, for instance, writes very harshly about the British, who are now president of the EC, and their insensitivity to the refugee

question; it also accuses them of blocking any sort of solution to the Yugoslav question.

[Rupel] I think that we have to act somewhat more aggressively with respect to these problems. The Germans have hit upon a formula that is convenient for them: They say that they already have 200,000 Yugoslav refugees—and they are also including the so-called emigres in this. Well, then we also have to add all the Bosnians that we have in Slovenia, and we thus arrive at a figure of over 100,000, possibly even 150,000 people; and that is certainly a heaping measure. Slovenia, as far as I know, will unwaveringly insist that our capacity is full to the brim. Now we are in a different position than we once were; now we are in the same position as Austria, Hungary, and Greece, and we will also have to continue conducting that policy. The Americans are opposing this. The refugees are precisely the point on which the issue of our connection to the Yugoslav problem depends. We cannot yield on this.

[Lorenci] The pressure on Slovenia may be terrible. It will come from two sides. It will emerge in Bosnia and press against our borders through Croatia, which will send refugees to our border either in order to alleviate its own problems, or in order to put pressure on us if our relations continue to be poor. On the other hand, the West will also put strong pressure on us. Can such quiet pressures or some sort of bribery, i.e., promising money in return for our accepting more refugees, already be perceived today?

[Rupel] The methods are different and the pressures are also in different degrees. Italy, for example, is terribly opposed to any larger number of refugees, but they are offering to equip centers in Slovenia, Dalmatia, etc., and are trying to ease their bad consciences that way. I apologize; none of these words is completely right. Actually no one, including the Italians, is responsible for solving this problem. It is now our joint problem, which has frightful dimensions. We are approaching stories that we know from World War II. This commits us to solidarity and forces us to find new methods of dealing with the problem. If you recall, de Michelis, in regard to the problem of refugees from Albania, spoke about quotas that individual countries were to accept. Well, we will now use that Italian example. I am in favor of preparing a list of countries and dividing up the refugee burden, with Slovenia already having assumed its share of the burden.

[Lorenci] Regardless of what can happen, we will soon have painful sights on our border.

[Rupel] To some extent we have already been abused because of our principles. If the Italians, Dutch, Germans...pose the problem of regulating the crossing of the border, it is all right, but if the Slovenes do it, it is supposed to be wrong. We should simply say that we are doing what other normal states are also doing. It is in the interest of all of Europe for Slovenia to exercise strict control at its border as well.

[Lorenci] Will we ever have to do what the Croats did, i.e., put such-and-such a number of refugees in front of the Austrian or Italian border?

[Rupel] Of course we could play that game and let buses of refugees through to the next border. But why would we poison our relations with Austria or Italy because someone wants to poison relations with us? It would be a game without borders, if I may express myself a bit metaphorically, and it would not take us very far. We have to do everything possible for the flow of refugees to proceed regularly, through agreements. There is also a complication here: We set up a government office for refugees, but it suddenly turned out that it cannot get its own office spaces and employ people (12 of them), because the deputies say that the administration cannot be expanded, etc. Obviously we do not yet perceive the full dimensions of the problem either.

[Lorenci] Why have we actually received as many refugees as we have? Why didn't we shut it off back at the figure of 30,000?

[Rupel] You have to ask Mr. Bogatj and Bavcar that. I think that different logics were involved, however. In the first place, there was strong pressure from the public to the effect that we could not behave selfishly. When a closure of the border or a selective approach was first mentioned, the idea was attacked by all the most enlightened people of Slovenia, saying that we were behaving harshly, etc. In the second place, in view of the gigantic number of refugees in Croatia, it would have been somewhat difficult for us to stay at the number of 30,000. In any case, the refugees now represent 3 percent of the Slovene population, and that is the extreme upper limit.

[Lorenci] Europe and the United States obviously do not have a clear strategy on Bosnia. They cannot do any more by political means, but they do not want to intervene militarily. In many respects they are thus impotent in dealing with Serbia, and that impotence is indicated, among other things, in the fact that they equate the culpability of Serbia and Croatia, etc. What, then, will happen to unfortunate Bosnia?

[Rupel] There is a whole series of complications here. The first is that the leaders of Bosnia-Hercegovina did not arrive at a concept for setting up their state in time. Whereas the Serbs worked out their concept approximately at the same time as the Slovenes, at least in 1987 (you recall the memorandum), the Bosnians, and also the Croats and Macedonians, hesitated for a very long time about what they really wanted and what their concept for solving the nationality question would be like. Essentially, the Bosnians are thus still improvising. After my talks with Bosnian colleagues yesterday in Geneva, I have the feeling that now something is changing in this regard, and that their will to preserve the statehood of Bosnia-Hercegovina is becoming stronger. If it is not

already too late.... In the second place: Until it hurts you, you will not do anything. Europe has actually just started to hurt now. Solving the Slovene problem was relatively simple for it—the Slovenes essentially solved their own problem by themselves. The Croats also solved it relatively independently. They did not solve it completely, but let us say that the Croatian problem is still solvable, since in spite of everything Croatian statehood is indisputable. Now the problem, also in the form of refugees, has knocked on Europe's very door, and thus solutions are now nevertheless being sought more intensively. The third factor is the fact that the Serbs have conducted a brilliant policy, from their point of view. Even the latest invention of Panic as prime minister is a historic example of a great political joke. Mr. Panic has made it possible for the Serbs to have a respite again....

[Lorenci] He made it possible because the West, so to speak, wants to be led by the nose, since it does not want to take radical action.

[Rupel] Yes, they thus all have a sort of alibi together. Mr. Panic utters various beautiful words like a machine, but essentially he is concealing the reality of the Serbian situation. In this regard—and this is possibly a fourth factor—I think it is normal that Europe has tried to take Serbia's interests into account, since Serbia is a regional power that has to be taken into account in solving the problem. I recall conversations with U.S. Ambassador Zimmerman, who said that it was necessary to find a solution for the JNA [Yugoslav People's Army] and for the Serbs. Ten years ago they already had maps of the ethnic composition of Yugoslavia that were very similar to the maps of the present Serbian conquests. This is not to mention the fact—and this would be a fifth factor—that they are all looking a little ahead and peering at the Kosovo problem with one eye. According to several hypotheses, the Kosovo problem and the Albanian problem will have to be solved together.

Perhaps the Kosovo story will not necessarily end in the same way that the Yugoslav stories are ending; the Albanian lobby is strong, and it is also a sort of small regional power. If there is a correction of the borders in the extreme south, in Kosovo, perhaps it will be necessary to give Serbia something in the west in compensation.... I am only trying to interpret the policy of the great powers, and this interpretation is not necessarily right.

[Lorenci] Do you ever perceive that your ministerial counterparts are still thinking about some sort of renewal of Yugoslavia?

[Rupel] No, by no means. Perhaps among the Americans, at most. The refugee problem, however, in its own way is again putting us in some sort of relationship, in some sort of alliances that were not the best for us. We obviously have to live with this and oppose it, however. We will hold out in terms of foreign policy, but it will be more difficult in terms of domestic politics, since you know that people here make mountains out of molehills, a Slovene-Croatian dispute out of Starman, etc.

**Chaos Inside Newly Founded Serbian States**  
**92BA1299A Belgrade VREME in Serbo-Croatian**  
**3 Aug 92 pp 18-22**

[Article by Milos Vasic: "Neither Unity nor Law"]

**[Text]** *The internal situation in the newly created Serbian states and regions outside Serbia is marked by lawlessness, quarrels, dictatorship, and chaos. Some of those lands are facing military and political collapse, like the Hercegovina SAO [Serbian Autonomous Region]; others are in a state of chaos, like Bosnia, under Karadzic's control; a third group is on the way to seceding and uniting with others, like Bosanska Krajina; a fourth group is concerned about the future, like Kordun and Banija. All have the same problem: complete poverty, the approaching winter, and the sanctions that will leave even Yugoslavia hungry.*

It was the custom in ancient times that before starting a war, one would first look into one's purse to see whether there was enough money. Depending on this—we are taught by the classics Sun Tzu Wu and von Clausewitz—a decision on the war is made. The fate of the so-called scattered Serbs, on whom the strategy of Milosevic's and Cosic's "national rebirth" was built, was set up from the beginning as a function (and result) of the correct planning of moves in time (timing). It turned out, however, that the planning was stretched to the critical points: Apparently people did not take into account the safety margins that are essential because of what von Clausewitz called "friction" in strategic planning. Friction is when we plan everything beautifully, and then the rain falls, the army does not feel like fighting, the enemy turns out to be inventive (or stronger than we thought), the thing is dragged out beyond the expected (and bearable) limits—and time comes to claim its own. Today the already completely clear strategy of uniting all Serbs in one state by means of war, the conquest and ethnic cleansing of territories for the sake of a subsequent demand for "self-determination of the people" to the point of secession (i.e., annexation) is on the way to slipping and becoming bankrupt precisely because of bad timing, even if it was basically well-planned—and it was not. What is happening at this time in the Serbian lands outside of Serbia is a consequence of the game that was lost; things were dragged out so much that unforeseen elements came into play. These elements are what we are discussing here.

**No-Man's-Land**

Eastern Hercegovina, a Serbian land under the authority of Mr. Bozidar Vucurevic, a truck driver from Trebinje and a poet/gusla player, was—reluctantly, one must admit—drawn into this war by the will of others. Last summer and fall, the Montenegrin brothers from Niksic, under the guise of the JNA [Yugoslav People's Army], occupied the entire area (and Mostar) with clear intentions of cutting off southern Dalmatia and Dubrovnik, promised for the "Serbian capital" (Mr. Mihajl Kertes). First Mostar was destroyed, because it could not be

taken, and then the Croatian army penetrated deep into the Hercegovina SAO, which led to the collapse of Vucurevic's state. Had that state already rotted from within, when it collapsed so quickly?

It seems that it had: The departure of the regular JNA troops was enough for it to collapse. Vucurevic's regime began as an autocratic one, with all the shortcomings that go along with it. Dissidents were silenced as "bad Serbs" (the usual division in all Serbian lands); sympathizers won the right to everything. The famous deputy to the Bosnia-Hercegovina Assembly from Ljubinje, Dusan Kozic (SDS [Serbian Democratic Party]), was first caught with 80 Russian machine guns in a truck (apparently the militia patrol from Bileca was not notified), and then he was formally freed in Niksic, while Mr. Vucurevic sang Cetnik songs. Then on 14 May 1992 Mr. Kozic, a day later, was caught smuggling again: This time there were 518 kilograms of Marlboro cigarettes in the truck. In the meantime there were several attempts to have Mr. Vucurevic exposed in connection with various actions, but something always happened: Either the Assembly did not succeed in meeting, or an "attack" against Mr. Vucurevic was attempted.

The first suspicious dealings were discovered in the Trebinje opstina government, and the city planners were left holding the bag; Mr. Vucurevic then sacrificed Mr. Spasoje Albijanic, president of the Trebinje Opstina Assembly's Executive Committee, who was in any case receiving salaries for several jobs. People who tried to keep some normal rules of the game (having theft prohibited, for example), like Dragomir Grubac, president of the SDS (he was replaced by Dr. Karadzic), Gotic, Bokun, Vukojevic, were not able to do anything, except become suspect. The rape and plundering of Mostar brought new problems: What Strugar's and Perisic's troops had left, the Hercegovinians cleaned up like ants; Soko, the tobacco factory, and the aluminum combine were stolen—as much as possible. An economy of theft has one shortcoming: It is a one-time thing (the same thing cannot be stolen twice). A question arose: Where are the goods? Milos Lero, the director of Kovnica in Bileca, a man who was criticized because his sons were in Belgrade instead of "defending their fatherland," was not able to say what had happened to the money from the sale of the aluminum stolen from Mostar (that money was supposed to be used for pensions). Later interpretations indicate that the aluminum crossed the Drina and is waiting for a higher price on the market. Dragomir Grubac says that the Hercegovinians received food and assistance from Serbia, "enough for four years for the entire Serbian people in Bosnia-Hercegovina," but that the "elite Serbs" allegedly sold it off "Croats, Slovenes, and even western Hercegovinians." Also in circulation is a question about what happened to 40,000 firearms, an enormous amount of ammunition, and Fagot antitank missile systems (a copy of the Russian AT-4, which is a copy of the French Milan), the most modern one that the JNA had; it is claimed that the Croatian troops have that system, which was formally promoted at the end of this March in Nikinci.

Much more important than all this is the fact that eastern Herzegovina has been economically dead for more than a year now: The main source of income was participation in the tourism of the Dubrovnik Riviera through employment of the labor force and the supply of goods and services of all types. By killing Dubrovnik's tourism, the Herzegovinians lost their main source of income (like the people of Knin, after all). Now they are blaming the Montenegrins for this, and they no longer feel like fighting. So Dubrovnik was promised to them? It was; now let them ask the Kertes brothers how it is that they did not take it. They will answer them that it is their problem. They could have if they had been braver, the answer would read, and then they would have had an outlet to the sea and Serbian tourism. In short, Herzegovinians' vital interest, what they lived on, no longer exists; who will feed them and how will they live? The sanctions have brought Serbia—let us not even talk about Montenegro—to the edge of starvation; everyone was occupied with his own problems, and where did it get us? Lawlessness, theft, and corruption are normal fruits of a policy that is bankrupt, because time ran out for it.

#### Karadzic's Troubles

Dr. Radovan Karadzic also has a similar problem with time, although much more terrible, in connection with Sarajevo. It is known that the Serbian politicians around Karadzic went into the hills on 6 April with enough underwear for three or four days, convinced that Sarajevo would fall very quickly. Dr. Karadzic lost; Sarajevo did not fall (nor will it, as things stand), and the whole world has noticed his bloody ethnic cleansing of eastern Bosnia, with the burning and destruction of villages. The punishment of Sarajevo with bombardment and snipers has led to the brink of military intervention. Winter, however, is approaching, and the economy and agriculture are dead in Bosnia, no matter what it is and whose it is. Who will feed Bosnians of all nationalities?

Within the framework of the RAM plan, it was foreseen that Serbian opstinas and regions in Bosnia-Herzegovina would be supplied with stocks of fuel and basic food-stuffs for three months of war; the three months have ended. The stories and protests in connection with the resale of those stocks have afflicted the Serbian public in Bosnia in the past months; they have never been fully clarified. There was not even any chance: The lawlessness in the Serbian Republic of Bosnia-Herzegovina soon reached its peak—the absence of any predictability and legal security. Eastern Bosnia is being pillaged by renegade gangs (paramilitary formations) that no longer listen to anyone, not even the emissaries from the Serbian authorities who present themselves as "territorial defense commanders" in the field. The leaders of these groups (there are at least 10 of them) openly say that they will not return to Serbia, because they are aware that they are threatened by the possibility of a trial for war crimes. They intend to settle down here and become officials in Karadzic's government someday. Killings, taking hostages, robberies, and expulsions of

the population are a normal occurrence there, and this is already beginning to have an effect on the combat morale of Karadzic's troops. The president of the Serbian Republic of Bosnia-Herzegovina no longer controls the forces in the field; not even General Ratko Mladic is capable of doing it, as he admitted himself two weeks ago.

Cosic's and Milosevic's hopes that at the famous London conference on Yugoslavia they will succeed in pushing through a fait accompli and annexing those Serbian lands which they already hold by force do not mean anything here; even if they succeed—and it will be difficult—a fait accompli cannot feed a hungry mouth. Time has had its effect: the factories have stopped, the fields have neither been planted nor reaped, and the state is in an isolation which the fait accompli of annexation through a referendum ("the people's right to self-determination") will not destroy. Even if the entire plan is successful, the remote Serbian lands, like the Bosnian and Knin Krajinas and the northern zone of the UNPA [UN Protected Area], remain too far away; the road to them leads through dangerous land, and the local economy is weak.

#### Angry Lands

What we called the Corridor SAO in the last issue of VREME (the line of communication between Bijeljina and Banja Luka) has two characteristics: It is hard to defend, especially against guerrilla attacks, and it shares the fate of all corridors, of which the one for Danzig or Gdansk (until 1939) is the best known; next, it is of vital and critical significance for the mere physical survival of the Bosnian and Knin Krajinas.

Why? Because there are two geographic and two political entities which do not coincide. The political entity consists of the Bosanska Krajina autonomous region with its headquarters in Banja Luka, and the Republic of Serbian Krajina with its headquarters in Knin, but the geographic entity lacks the state of eastern Slavonia, Baranja, and western Srem, because it is separate. That state is both politically and economically different: It is closer to Serbia in the political sense (and so it is better controlled), but is also much wealthier than those Krajinas, in spite of the war devastation. The political unity of the RSK has been suspect from the very beginning: The influence of Dr. Milan Babic in Knin and the vicinity has always defeated the attempts to have Mr. Goran Hadzic imposed as the chief political authority for all Serbs in the Krajina.

Bosanska Krajina, on the other hand, has always pursued its own policy, often different from the policy of Dr. Radovan Karadzic, with whom it is supposed to be unified and harmonious. This is understandable; culturally, historically, and naturally these are two different regions. Furthermore, Dr. Karadzic is there far away. That is how it has happened that the real political authority over Bosanska Krajina has been taken over by the "Gang of Four": Radoslav Brdjanin ("our state up to

Moscow"), Vojo Kupresanin, Dr. Radisav Vukic, and Predrag Radic, all leaders of the Krajina SDS. As far as legality and order are concerned, they have not done much either: Banja Luka and the vicinity are under the actual authority of semiregular forces composed of various armed people who blow up houses and offices, kill here and there, extort, and rob. The first to appear at the beginning of April were the SOS [Serbian Liberation Forces], a mysterious paramilitary formation with red berets, which was first thought to have the assignment of seizing local authority at the expense of Dr. Karadzic. Later it turned out that it was a semiprivate army kept, according to reports from our sources in Banja Luka, by the most powerful people in the shadows in that city: the owner of the Bosna Hotel, Pantelija Damjanovic, one Jankovic, one Dubocanin, and Nenad Stevandic, a very important "hero" in the SDS. As the chiefs are, so is the army: Most of them, it later turned out, have "passed" through the criminal and misdemeanor records of the police. The main activity of the SOS has been blackmailing and robbing Banja Luka Muslims and Croats. Whoever does not pay is blown up; automobiles have been seized in broad daylight and the daily receipts of cafes and shops has been "confiscated." That violence also bothered Serbs, and so on 13 May—Security Day—the SOS was officially abolished. This was in vain; under the cover of night (there is rarely electricity in Banja Luka), the bombings and robberies were continued, and uniformed and armed people emptied shops and apartments without any problems.

The press at least tried to clear the state's image in this matter; the Banja Luka GLAS dared to publish dossiers on the arrest of an armed group alleged to have received instructions from the top political power in the city. At the insistence of Borivoje Pavlovic, a major in the Army of the Serbian Republic of Bosnia-Hercegovina vis-a-vis General Momir Talic, the commander of the First Krajina Corps, the group, previously known to the police and citizens, was arrested through the cooperation of the military and civilian police. This was the fourth arrest of the same group, by the way. The same evening, the commander of the Opstina TO [Territorial Defense] Headquarters, and later minister of defense in the government of the Autonomous Republic of Krajina, Lieutenant Colonel Sajic, demanded that the military police release Brana Palackovic's group, or else he would "attack the barracks." They did not give in to this extortion, but GLAS announced that Palackovic had blackmailed local Muslims, the owners of private shops and enterprises, to pay between 1,000 and 10,000 marks into the Opstina TO Headquarters' transfer account if they did not want to be blown up.

Since things were getting serious, Mr. Radoslav Brdjanin, someone who holds many positions (among them, chairman of the Commission for the National Leveling of Personnel—really!), took measures to silence GLAS. Mr. Brdjanin has experience: He has already used fax messages to replace hundreds of directors of firms, and even the rector of the university. He faxed an edict on

replacing the chief editor of GLAS, Miro Mladenovic, and on Banja Luka television, which only carries the four of them every evening, he proclaimed his friend Vojo Kupresanin to be minister of information, to the general amusement of the entire people. GLAS's circulation began to rise suddenly, so much that for the first time in 49 years of publication, it did not have enough paper to satisfy the demand. GLAS returned the blow with two stories, about the blue Mercedes that the Banja Luka police donated to Brdjanovic's wife's firm, and a satire about the "chief editor of Banja Luka RTV [Radio-Television]." Brdjanin and company did not succeed in crushing GLAS, because in the end a new chief editor was appointed, who continued as before.

On the broader political level, however, Krajina is behaving the same way: aware that they are the only ones that have the money to maintain their own—the largest—Serbian army in Bosnia-Hercegovina, with their own air force commanded by young General Ninkovic. The residents of Krajina are already shaping borders without much regard for Dr. Karadzic and the Serbian Assembly at Jahorina. In Banja Luka, there is also the National Bank of the Serbian Republic of Bosnia-Hercegovina, and Knin is backing it. It depends on them whether the Corridor SAO will hold out, or whether a different political solution will be sought. This situation is facing General Talic, who is subordinate to General Mladic in Pale (i.e., in Han-Pijesak, or under it)—will he listen to those who pay him, and have secessionist ambitions, or those who are nominally heading the state of the Serbs in Bosnia-Hercegovina?

#### "Serbs Against Serbs"

This is the slogan with which Stipe Mesic responded to that other slogan, which you may surmise. Mr. Mesic had in mind the differences and frictions among the Serbs in the RSK, naturally problems which the regime's press here has been careful to spare us. It was already clear last winter that not everything here was as good as it could be, when Dr. Babic and President Milosevic were fighting like that. The story about "secession" from Bosanska Krajina is naturally associated with "secessionism" (Lieutenant General Milan Martic, formerly a junior inspector in the Knin SUP [Secretariat for Internal Affairs]) in the Knin Krajina. What is going on here?

Several major contradictions, which had to manifest themselves sooner or later, were built into the RSK—this one as it is officially called—from its very inception. The first one is a historical and inborn one, the difference between the Cetnik tradition of Knin and the partisan tradition of Lika, Kordun, and Banija. Sudden love could not last long here; above all, the LC-Movement for Yugoslavia infiltrated its own people into this area in time, making use of tradition and personal ties. This went so far that Dr. Babic's decree banning the activity of the LC-Movement for Yugoslavia in the Krajina was much more than a symbolic gesture from a brand-new anticommunist. Another contradiction is a geographical

one: Krajina, Lika, Kordun, and Banija will never find a common interest with eastern Slavonia, Baranja, and western Srem, no matter what the ideologues of all Serbdom expected. Some of them are close to Serbia, and others are distant; what would Hua Guofeng say to the late Marshal Tito? There is little use in water when the fire is distant.... All of this was clearly seen in the Babic-Hadzic conflict, after all.

Today it is clear that all 13 of the main Krajina opstinas are in a completely separate position. Their main source of income was tourism and the accompanying traffic, i.e., two branches of the economy that were necessarily tied to the Croatian coast, on one hand, and the industrial-transportation hinterland, on the other. These are opstinas that for years enjoyed aid as underdeveloped ones, something that they are not insisting on too much today. Knin lived on the wages of 3,000 railroad workers; the last train left Knin almost two years ago. For the sake of comparison, during World War II the Split-Zagreb railroad line was cut off several times, but the longest period of interruption was 72 hours. Now only the armored train on the Knin-Licki Osik (Teslingrad) route can travel along that railroad. By killing central Dalmatia's tourism, Knin killed its main source of income; the Plitvice National Park brought in \$100 million per year, just in entrance fees. The UNPROFOR forces will protect Krajina's Serbs against Croatian attack, but they will not feed them. Someone will have to feed them, because the RSK is not capable of surviving on its own, even if it produces something.

That situation has logically led to a disruption of legality, autocratic authority, and heretical ideas on the rim of the Krajina state. First, the Croats were driven out of the Knin Krajina by bombs and machine-gun bursts in the night, and Kijevo, the only Croatian village in the opstina, was leveled to the ground. Then it was the turn of the "bad Serbs"—whoever blurted out anything against Dr. Milan Babic last year got a bomb in his yard. When Dr. Babic quarreled with Inspector Martic, the persecution of Babic's followers began. Someone once again lost out here: It turned out that Dr. Babic had more support than Mr. Goran Hadzic, who no longer dares to show himself in Knin without a strong military escort. During this time, the presidents of the northern opstinas of Krajina began to think about serious matters (how to feed the people, for example), and to count on their legitimacy, which is derived from the elections in Croatia in which they were elected (like Dr. Babic, after all). Here we come to the case of the late Dmitar Obradovic, president of the Vrginmost opstina, who was killed two months ago from ambush after Lieutenant General Milan Martic's accusation of "secessionism." One detail has been forgotten: Last year Mrs. Ljubica Solaja, the controversial president of the Krajina SDS, traveled to Vrginmost to "straighten out" Mr. Obradovic; his adherents became furious and arranged an ambush with the intention of neatly killing Mrs. Solaja, and, naturally, then attributing it to the Croats. They say

that Dmitar Obradovic frustrated this attempt through his own authority, and, at the last moment, by radio communications.

The game is clear: Winter is coming, there is no food; it is necessary to negotiate with the Croatian side at least on normalizing economic relations and continuing some sort of economic exchange, without which everyone is dead. In that regard, several opstina presidents have already started to be involved in secret negotiations, in spite of the "principled position" of Lieutenant General Martic, who, as it appears, has not been informed about the latest developments. Specifically, in talks with Lord Carrington, Mr. Hadzic suddenly began to abandon his firm position of "into Yugoslavia at any cost," obviously having been convincingly discouraged by the FRY itself. The London conference on Yugoslavia, the last hope of Cosic and Milosevic, will be a place where these two will try to save what they think can be saved: at least the bordering conquered and cleansed areas of Slavonija, Baranja, and eastern Bosnia. Knin and the Krajina are too far away....

The Serbs in the Krajina have been left on their own, as things now stand. It is not exactly the best society, since legality has gone to the devil among them as well.

Several criminal cases without an outcome also illustrate this matter. First, at the beginning of October 1991, a group of uniformed and armed individuals seized and then killed the entire Rakic family in Siroka Kula near Licki Osik (Teslingrad). A group that had been accused of "espionage," under the leadership of Cedo Budisavljevic (28 years old), a policeman, stole 70,000-80,000 marks from the Rakic family (five of them), raped a female member of the household, and afterwards killed all of them. Four corpses were thrown into the notorious Golubnjaca pit. After learning about this crime, the district public prosecutor in Knin, Ratko Horlat, started an investigation, which after seven months had not gone anywhere. At the same time, Goran Dmitrovic, a person who had come to establish a Bank of Serbian Krajina in Korenica, was killed through official misconduct. He was beaten and died at the Korenica militia station, and the records of his death were falsified. That death is interpreted in terms of the circumstance that Dmitrovic knew a great deal about various dealings in that area, and he also came from an "unreliable" family.

The next case from that region was the massacre in Ervenik, a village close to Knin. The Cengic family (a father, mother, and two children) was killed by two "Territorial Defense" personnel, in retaliation for the death of three of their friends near Skradin. The case was officially handled through the JNA military police authorities before their withdrawal and turned over to the Knin OJT, but was forgotten.

The fact that something really is wrong here can also be seen from the fate of an anonymous criminal complaint from the village of Kovacici near Knin against several Krajina officials, on the subject of foreign exchanged

collected abroad for a Knin television center. This subject is a rather painful one; the money was collected, but the television center cannot get started because "there is no money." When Ratko Horaš ordered that investigations be carried out, he apparently went too far. He was replaced ("promoted" to a job where he is harmless), and the court guards in Knin were ordered to prohibit his access to the office and documents.

### War Communism

VREME has already analyzed the situation in Baranja, eastern Slavonia, and western Srem; let us say only that these are war communism regimes, without money, without a market, without an economy, with administrative allocation of everything (primarily aid from Serbia) according to lists, with the complete discipline and "unity" of the subjects. What there was to be ethnically cleansed has already been cleansed; they are only waiting for a referendum on unification with the FRY. Pol Pot's time has come: There is no money, there is no market, there are no "bourgeois prejudices." The few residents of Vukovar have to watch what they say; otherwise they could "write a statement."

During this time negotiations have been happening, in London, on frigates in the Adriatic, and in New York. One of the national leaders will soon appear to explain how we have "done splendidly" in our confrontation with the world: They promised everything and "achieved" as much as they could with their feeble minds.

### EBRD Delegation Visits Macedonia

*92BA1242A Skopje NOVA MAKEDONIJA  
in Macedonian 10 Jul 92 p 2*

[Unattributed report: "Financial Aid To Follow International Recognition"]

*[Text] The main purpose of the visit is to secure as much information as possible on the macroeconomic condition of the Republic of Macedonia as well as the study of specific plans that could be implemented in the immediate future.*

A delegation of the European Bank for Reconstruction and Development [EBRD], consisting of Stijn Albreng [as transliterated], regional director, and Jan Lukas van Khorn [as transliterated], bank political councillor, has paid an official visit to the Republic of Macedonia.

In the discussions held between the bank representatives and Minister Jane Miljovski, activities related to the drafting and adoption of a law on the reorganization of enterprises with public capital were especially considered. As we know, the main program for the formulation of that law was drafted with the technical and financial assistance of the EBRD and was considered one of the more successful programs not only by that bank but also by other world financial institutions. It is also expected that specific financial support will be provided by that

bank in the practical implementation of the law after it has been passed by the Macedonian Assembly.

The representatives of the EBRD said that the main objective of their visit was to acquire as much information as possible on the macroeconomic condition of the Republic of Macedonia and the study of specific projects that could be implemented in the immediate future. The main obstacle to approving corresponding loans by that bank is the issue of the international recognition of the Republic of Macedonia; meanwhile, technical assistance and the sending of teams of experts in various areas will take place immediately.

In the discussions with Finance Minister Metodija Tosevski, the guests were provided information on the amount and reduction of the budget expenditures in the Republic, the revenue and expenditure structure, the conditions in the area of the banking and taxation system, and the activities carried out in establishing the monetary autonomy and monetary policy of the Republic of Macedonia.

In coordination with the International Bank for Reconstruction and Development [IBRD], it was agreed to accelerate the granting of some technical assistance to support the banking system of the Republic of Macedonia and to organize the corresponding international support of the Republic.

Development Minister Goce Petreski acquainted the bank representatives with the basic elements and implementation of the anti-inflationary program in the Republic of Macedonia. It was emphasized that, although only two months have passed since its initiation, some positive results are already clear, above all in the area of the lowering of prices of some commodities, market supplies, a small drop in the rate of exchange of the denar, reduced budgetary expenditures, and implementation of a restrictive monetary policy.

The guests were also informed of the problems experienced by the Macedonian economy as a result of the implementation of UN Security Council Resolution 767, the disruption of economic relations and transportation problems, and the various blockades imposed by the Republic of Greece.

Foreign Affairs Minister Denko Maleski spoke extensively to the representatives of the EBRD about the unprincipled attitude shown by the European Community in connection with the issue of international recognition of the Republic of Macedonia and the sharp blow the idea of European unity received in the eyes of the Macedonian people when they heard the latest declaration of the EC concerning the Republic of Macedonia.

It was also noted that the forthcoming visit by Douglas Hurd, the British foreign affairs secretary, should be used properly in order to familiarize the European public with the economic consequences felt by the Republic of Macedonia as a result of the problem of international recognition.

Also assessed positively was the latest notice of the Arbitration Commission, headed by Mr. Badinter, in connection with the legacy of the former Yugoslavia, and support of the idea of organizing a respective regional conference for Balkan cooperation under the aegis of the EC, the IBRD, and the EBRD.

**Party of Ilinden Free Democrats Founded in Skopje**

92BA1250B *Skopje NOVA MAKEDONIJA*  
in Macedonian 11 Jul 92 p 4

[Article by U.K.: "A New Party in the Parliament; Press Conference of the Party of Ilinden Free Democrats"]

[Text] *The newly formed Party of Ilinden Free Democrats, the members of which include Mihail Panovski, Blagoja Chkatoski, and Risto Jovanov, former parliamentary deputies of VMRO-DPMNE [Internal Macedonian Revolutionary Organization—Democratic Party for Macedonian National Unity], is announced. The Ilinden Free Democrats will be a party of the center, with primary emphasis on the economy.*

The members of the Initiative Committee of the newly formed Party of Ilinden Free Democrats yesterday held a press conference at which the journalists were informed about the basic principles of this party. Namely, this concerns a party initiated by deputies Mihail Panovski, Blagoja Chkatoski, and Risto Jovanov, who, because of disagreement with the policy of the leadership of the VMRO-DPMNE these days, officially left that most Macedonian party and, since yesterday, claimed membership in the newly formed Party of Ilinden Free Democrats. This means that, from now on, these deputies will act as a parliamentary group of this newly formed party in the parliament of the Republic.

At yesterday's meeting with the journalists, the chairman of the Ilinden Free Democrats, Naum Riskovski, reported that this party is based on the republican traditions of the Macedonian people. The name "Ilinden" was chosen in order to maintain the identity of the sacred traditions of the Macedonian people for freedom, unity, and a democratic state, and "free democrats" means that the Krushev Manifesto cannot be implemented without freedom and democracy. This shows precisely that the party is open to all citizens, irrespective of their nationality or religion, Riskovski stated. The chairman of the party reported that anyone is free to state his opinion in this political party without being sanctioned, but the Ilinden Free Democrats put their primary emphasis on the economy, the conversion of public property, and a market orientation of Macedonia, in which there will be an unambiguous tax system. This party sees that the future of the Macedonian economy lies in the creation of small and midsized businesses that are flexible with respect to the market, and the party thinks that healthy market relations can develop only if the state has a clear function in the economy—a stable legal system, clear laws that guarantee property, and

strong financial, customs, and currency control. He added that the Ilinden Democrats will be a party of the center, with a democratic and citizen orientation.

At yesterday's press conference, this party stated that the fall of the Government of Macedonia was part of the democratic process in the Republic and a step in the development of democracy. In this context, Deputy Mihail Panovski said that the Ilinden Free Democrats salute the action of the president of the Republic, Kiro Gligorov, who respects the constitutional decrees and mandates for the composition of the new government from the beginning and which he presented to the majority party in the parliament. At yesterday's meeting with the journalists, support was also given for the coming All-Macedonian meeting, at which a protest against the declaration of the EC will be expressed.

**Separation of Powers, Democracy in Macedonia**

92BA1253A *Skopje PULS* in Macedonian  
16 Jul 92 p 25

[Article by Dusko Strezov, including an interview with Dr. Filip Lazarevski, a judge of the Macedonian Constitutional Court; place and date of interview not given: "Will Parliament and the Government Go to Court?"]

[Text] *The Constitution very clearly lists the various areas of work of the legislative, executive, and judicial branches. However, is it because of the "youth" of democracy or the aspiration to more power that matters in our country are beginning to be confused and the authorities have begun to take away from each other that which was not granted to them by the highest law of the land?*

It can be expected that the government, whether the one that may fall or the next one, will take up the public debate of who is interfering with whom: Is parliament interfering with the running of the government or the government with parliament? It would not be surprising for that argument to end up in the Macedonian Constitutional Court!

Recently, former Prime Minister Kljusev said that the government will ask the Macedonian Constitutional Court for a ruling on whether one of the branches is violating the interests of another, thus once again setting the various limits of authority. Naturally, this refers to the jurisdiction of the government and the parliament, which, together with the judiciary, under the new multi-party conditions, have equal rights. Not one of these three branches—legislative, executive, or judiciary—is the first or the highest, but all three are entirely independent and coequal.

However, everything seems to indicate that these branches are violating each other's authority and that this affects the integrity of the system. There are those who think that parliament is the highest authority in society, as was the case in the one-party system; others speak of a "flexible" government that could also stand "above" the parliament. The judiciary, for the time

being, has not had its pulse taken. The battle, whether concealed or not, is mainly between the legislative and the executive branches.

We discussed this topic with Dr. Filip Lazarevski, a judge of the Macedonian Constitutional Court.

[Lazarevski] Relations between parliament and the government and the real power in society are based on world experience and on four categories that exist in the legislative area. The first category may be termed "delegated legislation," according to which, by applying certain laws, parliament can authorize the government to regulate some social relations that, in the Constitution, are the function of parliament as a legislative authority. This clearly broadens the power of the government in violation of the Constitution.

[PULS] Have such cases already been noticed in our short practical experience with democracy?

[Lazarevski] Yes, on a very strong and a more general basis. An example is found in the Law on Measures, which would make it possible to block and abolish the course of development of social production in the Republic of Macedonia. The government obtains from parliament the general legislative right in this sphere. This may be a temporary measure, but it is nonetheless powerful in settling material relations. I believe that no one would argue, at least in accordance with our Constitution, that parliament does not have a constitutional basis to abstain from or refuse to perform its legislative functions to the advantage of the government.

The second category could be called "framework legislation," according to which the laws settle some basic relations that must be applied in all areas, leaving to the government greater rights to settle such relations in their entirety, although this normally should be the work of the Assembly. Our country also has some new laws that are not immune to such a feature. These are general trends found in other constitutional systems, which, under the protection of constitutional provisions (Italy or, conversely, France), stimulate the mechanism of delegated legislation.

[PULS] In developed democratic societies, the monetary area is most frequently attacked by the executive power, which is why, in a large number of countries, this area has been kept under the ultimate control of parliament. In our country, as well, there have been frequent cases of the executive branch invading the field of monetary policy. How is that point reached?

[Lazarevski] Such a practice could be put into the third category and is seen throughout the world. It is expressed through the so-called operative authorization granted to other state authorities and institutions, the implementation of which depends on the authority of the government or of services related to the government. For example, after notifying the government and the national bank, the business banks and exchange offices could devalue the national currency. The national bank

is responsible for changes in the discount rates. It is thus that monetary and credit policy, which is a decision-making instrument in the hands of the modern state, is kept outside the initiatives of and control by parliament. That is why I would not be the least bit surprised to see a similar trend in our country.

The fourth category is manifested in the implementation of the normative function of the government in performing its executive constitutional functions in ratifying the policy of the execution of the laws. The problem in this area is quite complex and stratified. It is based, above all, on the different views on and dimensions of that particular governmental function. More specifically, there are different views on what is meant by this concept. According to the logic of the executive function of the government, this view is frequently considered in the sense of the right of the government to set through its acts the dynamics and extent of the execution of the laws, the final consequence of which could also lead to settling relations or depriving a given law of its essential meaning. This clearly conflicts directly with the essential nature of the principles of authority and the legislative function of the Assembly, which demands that the law be applied to the extent and within the dynamics stipulated by parliament.

That is why it is particularly important to define this function of the government under the conditions of the separation of the legislative and the executive functions. Apparently, to successfully define this function, it would be best to start with the initial concept of the function, which, in my view, is that it must be used to ensure the subsequent execution of the laws in terms of volume and time as stipulated by the law or the intent of the Assembly. In my view, this is the sense of the constitutional authority granted to the government with regulations and other legal acts in directing the work of ministries and other authorities that can fully and efficiently implement the laws, and for which they are answerable to the government. The Constitution also sees to it that such legal regulations do not "depart" from the law, by calling for a constitutional-judicial evaluation of their legality. In this way, the executive function is correlated with the basic principle of the rule of law.

#### **Participation by Minorities in Macedonian Military**

*92BA1250A Skopje NOVA MAKEDONIJA  
in Macedonian 11 Jul 92 p 4*

[Unattributed article: "Inclusion of the Citizens of Albanian Nationality in the Army of the Republic of Macedonia"]

[Text] Trayan Gocevski, minister for national defense of the Republic of Macedonia, met yesterday with representatives of the parliamentary deputy group of the Party for Democratic Prosperity, led by Dzeladin Murati, vice president of the Assembly, and Deputies Estref Aliu and Ismet Ramadani.

The inclusion of citizens of Albanian nationality in the defense system of the Republic of Macedonia was discussed at the meeting. At the same time, it was stated that the first class of recruits of the army of the Republic of Macedonia, irrespective of national affiliation, are successfully performing their obligations.

The review of the recruits was examined in the discussion, and it was concluded that the representativeness of the recruits from the nationalities is not yet at the required level.

To improve the national structure of the army as an armed force of all citizens of the Republic of Macedonia, the Ministry for National Defense will undertake all necessary activities to include in the Army all who fulfill the requirements, in accordance with the regulations.

#### Macedonian Shortage of Hard Currency Reserves

92BA1242B Skopje NOVA MAKEDONIJA  
in Macedonian 7 Jul 92 p 2

[Unattributed report: "Minimum Foreign Currency Reserves"]

[Text] Macedonia will be the first country to be entered in the *Guinness Book of World Records* as a country considering development without any hard currency reserves, said Borko Stanoevski, governor of the National Bank of Macedonia [NBM]. Our assessment was that foreign currency reserves to meet our annual needs should be a minimum of \$250-300 million, to ensure the functioning of the state. However, something that has not been considered very thoroughly is that the treasury currently has only some \$18 million at the disposal of the NBM. The mechanisms through which such reserves are replenished are known, and so is the fact that 30 percent of the foreign exchange income must be provided by the economy. So far, however, the enterprises have provided no more than \$7 million, and there is no other source of currency.

According to Stanoevski, the NBM continues to claim that earnings from work done abroad, within the legal 90-day deadline, have contributed \$223 million, to be sent to Macedonia. There should be no question that such data are accurate. As to the foreign currency reserves, Stanoevski said, it is the government that makes all decisions, while the bank can only be guided by them. Therefore, he believes the NBM should not be accused of rigidity regarding the manner in which such funds are used.

In speaking of the primary emission of currency, Stanoevski said that, since the proclamation of monetary independence, 26 billion denars were issued, 11 billion of which have so far been spent.

#### Montenegro Assembly on Status of Pljevlja Muslims

92BA1293A Podgorica POBJEDA in Serbo-Croatian  
2 Aug 92 p 3

[Article by Vladan Micunovic and Branka Novakovic: "The Assembly of Montenegro on the Uncertainty of the Situation in Pljevlja: Who Is Sowing Hatred"]

[Text] Harun Hadzic: We believe that the culprits of the increasingly frequent attacks on Muslims belong to the political underworld and that they have completely broken away from the government. Momcilo Bojovic: No one has officially informed us of a mass emigration. They have brought unrest to our city from elsewhere.

Podgorica, 1 Aug—Inserted in writing into the agenda at the beginning of yesterday's assembly meeting, the uncertainty of the situation in Pljevlja provoked a polemical discussion into the midnight hours.

Explaining his proposal that this complicated subject be discussed immediately, Harun Hadzic informed parliament that he was doing this at the initiative of a number of people from Pljevlja, with the demand that official organs, primarily the Ministry of Internal Affairs, speak out and that the presidents of the Presidency and the government do this as well. This is the only possibility of instilling trust in organs of the government in the people of Pljevlja—when the culprits are caught and punished. Hadzic said that we should blame the political underworld for the increasingly frequent attacks on the Muslims in Pljevlja, and it is completely broken off from the government. He also claimed that Muslims are emigrating en masse from Pljevlja, and then he read the names of 19 people at whose shops bombs were thrown, and 15 of those, he said, were beaten by uniformed men.

Momcilo Bojovic, president of Pljevlja district, reacted to these words. First, however, he expressed the opinion that this should not have been spoken about this evening, since the necessary information had not been prepared. But, turning to Hadzic, Bojovic said that he was not familiar with this mass emigration of Muslims from Pljevlja. He knows only that women and children are going abroad to relatives.

#### Hatred Introduced

The first man of this commune asked what was going on in Pljevlja and immediately answered himself: unrest and the wish that Pljevlja again be a peaceful city. However, the very fact that Pljevlja is in direct proximity to the border with Bosnia-Hercegovina, that emissaries began to arrive in this city a long time ago, preachers for one people or the other, who spread hatred and left trouble, speaks sufficiently about the causes of the present unpleasant events, Bojovic explained. Moreover, various military units pass through Pljevlja. There are completely disparate interpretations in this town of the war in Bosnia. But, everything had led to the bombing of shops up to now. However, the MUP [Ministry of

Internal Affairs] had not yet identified the perpetrators of these crimes. But, we firmly believe that all this will stop. We must come together, Bojovic is convinced, to peace, but this will not be achieved if we look for the guilty parties among those who do not belong to our people.

The president of Pljevlja district claims that those from elsewhere have brought unrest to Pljevlja. First, those who have sown hatred from various platforms. Moreover, Bojovic refuted some of the figures of Harun Hadzic, believing that their credibility would be more convincing if the people about whom Hadzic was speaking would turn to official state organs. If someone wants unrest in Pljevlja at any price, blaming the official republic leadership for this, then he is not a friend of his own people, let along another, Bojovic said, supporting the idea that the perpetrators of the "bombing affairs" be identified as soon as possible.

The assessment of Harun Hadzic then followed: He had received the impression that the president of the SO [expansion unknown] of Pljevlja did not have the intention of changing anything there, and Bojovic replied that he considers all information and stories coming through the police to be simple deceit aimed at increasing the unrest in Pljevlja. Finally, Hadzic, on behalf of peace in Pljevlja, appealed to the delegates of the Democratic Coalition not to speak out in this discussion.

#### Vigorous Measures

The minister of internal affairs in the Government of Montenegro, Nikola Pejakovic, reminded the delegates that bombing, even as an act of modern terrorism, is not specific only to Pljevlja, unfortunately. Similar occurrences have also taken place in Bar and Podgorica, but those were acts the identification of the perpetrators of which is a long road. He cited the figure that 23 criminal acts had been recorded in Pljevlja, causing general danger through bombing and throwing explosives, and the Security Center had brought criminal charges in 18 cases. In addition, 71 firearms had been returned through the action of this center, and its director and the director for stamping out crime had been replaced two days earlier. With the statement that he would undertake vigorous measures in this area, Pejakovic appealed to the citizens of Pljevlja to help in the identification of terrorists.

DPS [Movement for Rights and Freedoms] delegate Budo Simonovic informed parliament that the Delegates' Club of this party had discussed Pljevlja for more than two hours the previous day. He then proposed that some working conclusion be adopted in the sense that the operations of all paramilitary units on the territory of Montenegro and the movement of all armed persons in public places be prohibited.

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